Austria . . . Sch 20	Indonesia . . Rp 2500	Portugal . . . Esc 90
Bahrain . . . Din 0.650	Italy . . . . L 1500	S. Arabia . . Rls 6.00
Belgium . . . BFr 45	Japan Y150	Singapore . . S$ 4.10
Canada . . . C$1.00	Jordan . . . Fils 500	Spain . . . . Pta 175
Cyprus . . . C£0.75	Kuwait . . . Fils 500	Sri Lanka . . Rup 30
Denmark . . . DKr 8.00	Lebanon . . . L£ 6.00	Sweden . . . SKr 7.00
Egypt . . . . E£1.00	Luxembourg . . LFr 45	Switzerland . SFr 2.20
Finland . . . FMk 6.50	Malaysia . . . Rs 4.25	Taiwan . . . NT$ 55
France . . . Fr 8.00	Mexico . . . Pes 200	Tunisia . . . Din 0.600
Germany . . . DM 2.20	Morocco . . . Dh 10	Turkey . . . L 250
Greece . . . Dr 100	Netherlands . Fl 2.75	U.A.E. . . . Dh 6.50
Hong Kong . . HK$12	Norway . . . NKr 7.00	U.S.A. . . . $1.00
India . . . . Rup 15	Philippines . Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,881 — Monday March 17 1986 — D 8523 B

Crucial test for Alfa Romeo's survival plan, Page 14

World news

Swiss vote against joining the UN

The Swiss voted massively against joining the United Nations. In a national referendum they turned down by more than three to one their government's proposal that Switzerland should become the 160th member of the world organisation.

Opinion polls had suggested that the Federal Council (government) and parliament were not going to win support, but the vote against UN membership was unexpectedly powerful. Even in Canton Geneva, the home of many UN agencies, nearly 70 per cent voted against joining.

People had voted to "safeguard our neutrality and national sovereignty," one of the leaders of the organisation set up to oppose the federal council said triumphantly. Page 2

Israeli budget cuts

Israeli Government is to implement within a week budget cuts totalling $300m. The chief administrator for the occupied West Bank and Gaza Strip territories flew to Washington to seek $500m to improve living conditions. Page 2

Singapore rescue

Two more survivors have been pulled free from the debris of a Singapore hotel after spending more than a day buried alive. Altogether, 11 people have been rescued alive from air pockets under the hotel.

Finns end strike

Finland's biggest labour conflict for 30 years came to an end when 250,000 workers stopped a three-day strike that had halted foreign trade and production at vital paper and metal industries.

Iraqi raid

Iraqi aircraft launched a surprise raid on an Iranian military camp near Ahvaz in western Iran. An estimated 500 armoured vehicles, many of them tanks, were destroyed.

Sudanese talks

Southern Sudanese rebels and backers of the Khartoum Government agreed to postpone for a day exploratory talks aimed at ending the country's civil war.

Palme postponement

Swedish police postponed an announcement on whether a man they are holding on suspicion of involvement in the murder of Prime Minister Olof Palme would be charged or set free. N-test urged, Page 3

Budapest march

Hungarian police detained at least two people and confiscated personal documents of about 400 young people after peaceful marches in Budapest.

Punjab clashes

At least nine people were killed and 20 injured in Punjab state in clashes between Hindus and Sikhs.

Manila takeover

The Filipino Government has taken over the country's main telecommunication companies, saying there was evidence that they were controlled by the son and friends of deposed president Ferdinand Marcos.

Caribbean boycott

Police in the French Caribbean island of Guadeloupe dismantled road blocks set up by separatists who are boycotting parliamentary elections.

Nicaragua attacked

The US must get rid of President Daniel Ortega's left-wing regime in Nicaragua, because it threatens to spread communism, White House Chief of Staff Donald Regan said.

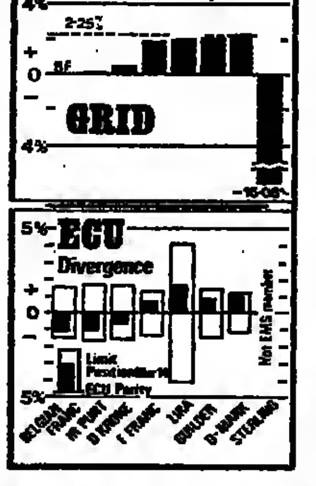
Prisoner escapes

Charles Sobhraj, one of India's best known prisoners, broke out of New Delhi's maximum security prison with the help of two men who fed prison guards drugged sweets.

Business summary

BIS guide for banks on hidden risks

FRESH GUIDELINES for the regulation of off-balance-sheet business being accumulated by commercial banks as a result of innovation in financial markets are published today by the central banks of the main industrial countries. The study was undertaken by the Bank for International Settlements. Page 18



EUROPEAN Monetary System: Currencies showed little overall change within the EMS last week. The Belgian franc remained the weakest member but was within its divergence limit. Lower interest rates in West Germany were of some benefit to the weaker currencies but there was still speculation that some sort of currency realignment would be planned after yesterday's elections in France.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

SWISS BANKING Commission has temporarily halted licensing of new Japanese bank operations in Switzerland while it reviews the question of Japanese reciprocity. Page 19

THE London Stock Exchange's traded options market plans to open normally today after weekend testing of the new computerised matching system. Page 7

MEXICO, hit by falling oil revenues, will today announce measures to boost non-oil exports. Page 3

TURKISH central bank has halted several of the key currency liberalisation measures in a bid to restore order to foreign currency markets, after the Turkish lira fell heavily against the dollar. Page 4

COMPANIES

WESTLAND has finally landed the £65m ($94m) deal to supply 21 W-30 helicopters to India. Grants from Britain will finance the deal. Page 7

HUDSON'S BAY COMPANY, the debt-laden Canadian retail, property and fur trading group, reduced net losses to C$5.6m (US$4m) or C$1.09 a share in the year to January from C$107.4m or C$5.40. Page 20

BRITISH Gas Corporation: no single shareholder will be allowed to hold more than 15 per cent of the equity after the company is privatised, according to a draft of the articles of association. Page 9

ALEXANDER & Alexander, the world's second largest insurance broker, lost $7.3m in the year to end-December 1985 after taking a $52m after-tax provision to cover the estimated loss on the disposal of its discontinued underwriting operations. Page 19.

PUBLIC SERVICE of Indiana, the electric utility, expects to incur a net loss of $1.25bn for 1985 or $23.17 a share because of a write-off for its Marble Hill nuclear plant. Page 20

TULLETT and Tokyo Forex, the UK-Japanese money broker, has acquired shareholdings in Carl Kliem (Frankfurt) and Carl Kliem (Luxembourg).

Right fails to win expected majority in French election

BY DAVID HOUSEGO IN PARIS

FRANCE appeared to be thrown into uncertainty last night after the parliamentary right failed to secure an absolute majority in the National Assembly.

According to early computer forecasts, the neo-Gaullist RPR and the centrist UDF together won 282 seats in the new Assembly, thus on their own falling short of the 289 needed, to abtain an absolute majority. They would obtain a total of 289 seats in the 577-seat Assenbly with the support of the seven independent right-wing members expected to be elected.

Computer forecasts by other institutes confirmed that the RPR-UDF alliance would either fail to win an absolute majority or obtain on by a narrow marging a single seat in one case.

The apparent result came as a surprise, since opinion polls had been unanimous in giviog the parliamentary right an absolute majority – although they differed on the size. The RPR and the UDF bave both pledced not to form a government with the extremist rogjt-wing National Front of Mr Jean-Marie le pen, whicb early computer forecasts gave 37 seats in the new Assembly substantially more than expected.

The Socialist success reinforces the position of President Mitterrand, who had seemed condemned to sharing power with a government of the right. Mr Mitterrand will now have a freer hand in choosing his Prime Minister in the manoeuvring that is likely in the days ahead.

Mr Mitterrand masterminded the Socialists' campaign in the election. He has been the party's main asset as his popularity has continued to rise.

The 212 seats expected to be gained by the Socialists are far in advance of the party's hopes and would leave them the largest single party in the new Assembly. Even on Friday, Socialists were saying they expected about 185 seats. They also exceeded their target of gaining 30 per cent of the vote by winning an estimated 30.9 per cent.

For the Communists, yesterday's poll was a further setback as they seem likely to win only 37 seats in the Assembly – the same the National Front. Computer forecasts gave the Communists 10 per cent of the vote compared with 11 per cent in the European elections.

Former President Giscard d'Estaing said before the poll that France would be "ungovernable" if the parliamentary right failed to obtain an absolute majority. In fact, the outcome is a personal blow to him, as it is even more for Mr Jacques Chirac, leader of the neo-Gaullist RPR. His failure to carry his disciplined party to the victory they had expected must cast some doubt on his political future.

President Mitterrand has until April 2, when Parliament meets, to name a Prime Minister. The temptation for him will be to look for a non-political figure, as the Socialists cannot form a majority on their own.

However, it must be doubtful whether any coalition that emerges will be durable. The risk is that fresh elections will be called soon.

The Freoch franc – which has been subject to devaluation rumours for some time – is likely to come under pressure with this uncertainty, putting pressure on Mr Mitterrand to form a new government quickly.

The right-wing parliamentary parties might decide to boycott a new government. However, yesterday right-wing politicians hlamed the result on the new system of proportional representation which President Mitterrand introduced for the elections. Mr Pierre Mehaingnerie, leader of ooe of the cen-

Continued on Page 18

Lawson budget set to shrug off oil price fall

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, will this week seek to shrug off the impact of collapsing North Sea oil reveoues by forecasting steady economic growth and falling inflation into 1987 with large tax cuts before the oext general election.

The emphasis for the coming year in Tuesday's budget speech will be on seeking to persuade financial markets that the Treasury is sticking to a "prudent and cautious approach" to policy after the halving in the oil price since last antumn.

Reform of personal taxation, including the introduction of transferable allowances between husbands and wives, will be promised for after the next election in a Green Paper (discussion document) to be published when Mr Lawson sits down in the House of Commons.

Barring further price falls in the wake of the Opec meeting which began yesterday, the Government is hoping the budget will provide the backdrop for a small cut in interest rates later in the week.

Mr Lawson is expected to announce modest cuts in income tax directed at the lower paid, financed mostly through higher excise duties on petrol, cigarettes and alcohol. At the same time, Lord Young, the Employment Secretary, will present measures to boost government help for the long-term unemployed.

The target for the public sector borrowing requirement in 1986-87 will remain close to the £7.5bn ($10.9bn) implied in the Government's medium-term financial strategy.

However, the public sector financial deficit, which is regarded by most economists as the best guide to underlying fiscal policy, is likely to rise sharply as a result of the acceleration of the Government's privatisation programme.

The uncertainties still surrounding the budget arithmetic were highlighted by the Opec talks in Geneva, where some ministers were predicting that the oil price might fall below $10 a barrel unless producers agree on rigorous output quotas.

The Chancellor's forecast of oil revenues in 1986-87 is likely to assume some rebound in the oil price later in the year together with some increase in output. Even on optimistic projections, however, that would still leave North Sea revenues at least £5bn below the £11.5bn assumed in last year's budget.

There are still expectations in Whitehall that Mr Lawson, who has been notably cheerful in recent weeks, will seek to spring at least ooe surprise in the budget. Recent speculation has centred on the possibility of a new 25p income tax band for the first £1,000 or so of taxable pay, or the introduction of new incentives to boost personal share ownership.

The Treasury has also been studying the possibility of a new financial transactions tax on the banks and building societies to recoup at least part of the cost of a cut in stamp duty on share transactions.

There has also been speculation that Mr Lawson might adjust mortgage interest tax relief, perhaps by combining an increase in the £30,000 ceiling with a move to limit relief to the basic rate of income tax.

In his forecasts for the economic outlook Mr Lawson will underline the beneficial impact on output and jobs of lower oil prices and the parallel drop in sterling's valoe

He is expected to predict continuing growth in output running at an annual 2½ to 3 per cent in the first half of 1987, while lower costs and the possibility of a cut in the mortgage rate could allow a fall in the inflation rate to around 3 per cent.

US Congress set to block defence build-up. Page 18

Opec debate overshadowed by output stance of UK, Norway

BY RICHARD JOHNS IN GENEVA

PROSPECTS for bringing about collaboration with the UK and Norway in restraint of global oil production will be in the forefront of what threatens to be a viciously contentious conference of the Organisation of Petroleum Exporting Countries (Opec).

The determination of North Sea oil producers to withstand the effects on their revenues, payments balances and currencies of a continued collapse in oil prices lies at the heart of the debate. Opec members are arguing over whether to pursue the policy agreed on in principle in December to concentrate on recovery of market share regardless of loss of per-barrel revenues.

As opening skirmishes began, Sheikh Ahmed Zaki Yamani, Saudi Oil Minister, fired a well calculated salvo aimed primarily at the Government of Mrs Margaret Thatcher, the British Prime Minister, as well as other delegations to the Opec conference. In an interview published yesterday, he said: "Disaster lies ahead for our country, which would bear the lion's share of the blame," unless Britain co-operated with Opec to support oil prices.

Saudi Arabia and Kuwait face concerted efforts by Algeria, Iran and Libya to return to the policy of production restraint aimed at supporting oil prices. Nigeria has already declared itself in favour of that approach. The United Arab Emirates, previously regarded as one of the main allies of Saudia Arabia and Kuwait, betrayed signs of misgivings about a "price war" which might paralyse and divide Opec for the indefinite future.

The conference's opening session was dominated by a long statement from President Ali Khamenei of Iran read out by Mr Gholamreza Aghazadeh, the Islamic republic's Minister of Petroleum. The statement is understood to have called for a drastic cut in Opec output to boost prices.

Mr Belkacem Nabi, Algerian Minister of Energy, joined him in calling for a clarification of the communique issued three months ago and its reference to securing a fair share of the market "consistent with necessary income for member countries' development."

Continued on Page 18

Plastics producers' profits rise. Page 18

US and Japan close to pact on microchips

By Louise Kehoe in San Francisco and Quentin Peel in Brussels

US AND Japanese trade negotiators are close to agreement on a global price and production costs monitoring system for semiconductor chips. The scheme is designed to address US charges that Japanese companies have repeatedly dumped chips in the US market below fair value.

The proposed system would lead to exports to third countries, apart from the US, being monitored.

Such a system would create a new area of highly controversial extraterritoriality in US trade protection. The US and Japan together produced close to 90 per cent of the world's semiconductor devices, a $30bn market in 1985. First indications of the direction of the secret talks between Washington and Tokyo have aroused grave concern at the European Commission in Brussels and in the European computer industry.

EEC member states have a large deficit in micro-chip imports and most would strongly oppose any organised price rise, although European micro-chip manufacturers might welcome it.

Anti-dumping plans will be discussed at US-Japanese trade talks in Washington this month, but already the negotiators are close to ironing out details of the monitoring scheme, according to Japanese officials.

Advisers to Mr Clayton Yeutter, the US trade representative, also say that progress has been made towards an agreement on the issue. The anti-dumping scheme has the full support of Mr Yeutter, according to industry officials close to the trade negotiations.

The price-monitoring system is aimed at preventing dumping "anywhere in the world, says Mr Michael Gadbaw, legal counsel to the US Semi-Conductor Industry Association, which conceived the proposal. He added that a "global" system was needed to prevent Japanese chip makers from circumventing US dumping laws by selling their chips at dumping prices in a third country or in their home markets, which might lead US customers to buy abroad.

US and Japanese chip makers would be required to submit price data to a government agency every time they sold chips – whether their customer was in the US, Japan or the third country. If their prices were determined to be below "fair value," as defined by US trade laws, then a penalty would be imposed on the manufacturer.

Fiat and Ford in European truck merger

BY KEN GOODING, MOTOR INDUSTRY CORRESPONDENT IN LONDON

FIAT of Italy and Ford intend to merge their European heavy truck operations into a joint company.

But the deal is unlikely to create controversy in Britain because Ford has assured the UK Government that no job losses will result at its heavy truck factory at Langley, Buckinghamshire, west of London, where there are about 1,500 employees. It has also said production of the cargo heavy truck range will continue until it needs renewing.

Mr Bob Lutz, chairman of Ford of Europe, when asked recently if he could give any words of comfort to the Langley employees, said: "Joint ventures are designed to protect jobs, not to cause redundancies."

The European truck industry has been aware for some months there is the prospect of wide-ranging co-operative venture between Ford and Fiat which might well spark off further rationalisation among heavy vehicle producers. The prospect has been an important factor in merger talks between BL's Leyland Trucks subsidiary and Bedford, General Motors' British commercial vehicle offshoot.

That deal has the backing of the Leyland Trucks management but has been delayed by the debate about the future of the Land Rover company which GM wants as part of a complete package.

Final details have still to be ironed out by Ford and Fiat and completion is perhaps still a month away. But it is expected that Fiat and Ford will each take 48 per cent of the joint heavy truck company they intend to set up, with the outstanding shares held by a London merchant bank. The arrangement excludes Ford's Transit van operations in Britain and Belgium.

The two groups put forward similar proposals when they unsuccessfully attempted to work out merger terms for their European car operations last year.

Fiat's heavy truck business, Iveco, has factories in West Germany and France, as well as Italy, and has a bigger market share than Ford in all those countries. It is already the second largest heavy truck producer in Western Europe, behind Daimler-Benz of West Germany.

Iveco's vehicle output last year was roughly twice that of Ford which produced about 14,000 cargo trucks.

General Motors has given the restructured Group Lotus board two years to construct a new future for the sports car and engineering company. GM owns 66 per cent of Lotus and is seeking total control. Details, Page 8

Benedetti to bid for further Valeo stake

BY ALAN FRIEDMAN IN MILAN AND PAUL BETTS IN PARIS

CIR, THE holding company of Mr Carlo de Benedetti, which last month paid FFr 500m ($70.8m) for a 19.4 per cent stake in Valeo, the French motor-components group, announced plans at the weekend for a partial bid on the Paris bourse that would boost its holding to 35 per cent.

The bid is expected to constitute the first big test of industrial policy for the new French government.

The outgoing socialist administration has already expressed concern at recent Italian moves to take control over a predominant portion of the French car-component industry. Renault and Peugeot, the country's two large car makers, have also been worried by the Italian manoeuvres.

By acquiring 35 per cent of Valeo, Mr de Benedetti would secure veto rights and become by far the single largest shareholder of the French group.

CIR, through its international subsidiary, is seeking to acquire 795,000 shares in Valeo which is Europe's second-largest car components group. Valeo has annual sales of FFr 11.4bn, employs 28,000 people and has 110 factories in 16 countries in Europe, the US, Latin America, Africa and Japan.

It is not known how much Mr de Benedetti is offering, but at closing prices last week a 16 per cent parcel of Valeo shares would have a market value of around FFr 440m.

CIR bought its original stake by acquiring 5 per cent of Valeo from Lucas of the UK and the rest from French banks and other institutional investors. CIR is expected to subscribe for its part of an expected FFr 600m share issue by Valeo. The Indosuez group is Valeo's next largest shareholder with a 5 per cent stake. Mr de Benedetti has

Continued on Page 18

CONTENTS

Zia hints at low-key approach over Bhutto return to Pakistan

THE PAKISTANI Government is bracing itself for a resurgence of political activity in the coming six weeks, when more than 30 mass meetings are planned around the country to coincide with the expected return from exile in Europe of Miss Benazir Bhutto, daughter of the country's former prime minister and acting leader of the main opposition party, writes John Elliott in Islamabad.

President Zia ul-Haq, who heads a mainly civilian administration following the end of martial law on December 31, hinted at the weekend that the Government did not intend to try to stop this political activity or arrest Miss Bhutto.

"We are a democratic country and in a democracy people learn to tolerate and I have lots of patience," he said yesterday in an interview on Channel Four's Meet the Press.

He indicated that he had retained his military regime title of Chief of Army Staff to ward off any possible coup while the Government was "stabilised."

He also suggested the US should be prepared to increase substantially its five-year $3.2bn economic and defence aid package, because the country had a democratically elected government.

Miss Bhutto is expected to return to Pakistan within the next three weeks on about April 4, the seventh anniversary of the execution by the Zia regime of her father, Mr Zulfikar Ali Bhutto.

Miss Bhutto was put under house arrest in Karachi after she returned from exile last August for her brother's funeral. There is considerable speculation about how long the Government or top army generals—who still wield considerable power—will be prepared to stand back while she draws massive crowds and attacks the regime.

Miss Bhutto's Pakistan People's Party central committee met in Lahore yesterday and drew up plans for the meetings she will address.

About half will be in the Punjab province, which is the stronghold of the military. Before that, there are to be widespread meetings on Pakistan Day next Sunday.

The committee mapped out Miss Bhutto's political agenda with a resolution calling on President Zia to resign and for elections to be held immediately on a party system to replace the non-party Government elected last year.

There have been reports that the Government has held private negotiations with Miss Bhutto's representatives to avoid the meetings becoming violent, in return for Miss Bhutto being allowed to remain free.

Significantly, the committee called yesterday for the meetings to be "extremely peaceful" and President Zia stressed in his interview that there were no restrictions on any political leader whatsoever."

He admitted saying last November that he would retire as Chief of Army Staff when martial law ended. But yesterday he referred to Pakistan's history of three "interruptions" of martial law. He added: "I, for one, want to make it absolutely sure that there is no chance of any future interruption," even though the country had "very fine, loyal and obedient army commanders and chiefs of services."

Pakistan is having a tough time persuading the US to grant a big increase in the aid package for 1987-92 and has failed to obtain requested increases of more than 50 per cent.

Swiss vote massively against UN membership

By William Dullforce in Geneva

THE SWISS voted massively against joining the United Nations yesterday. In a national referendum they turned down by a ratio of more than three to one their Government's proposal that Switzerland should become the 160th member of the world organisation.

Opinion polls had suggested that the Federal Council (government) and parliament were not going to win, but the vote against UN membership was unexpectedly powerful and represents a crushing defeat for the Confederal establishment.

Not one of the 26 cantons and half cantons voted in favour of joining the UN. The Government needed a majority among the cantons as well as a majority of voters at national level.

The people of the cantons had voted to "safeguard our neutrality and national sovereignty," said one of the leaders of the organisation set up to oppose the Federal Council on this issue.

Even in the canton of Geneva, the home of many UN agencies, nearly 70 per cent voted against joining. In the canton of Berne, the federal capital, 77 per cent rejected the government's proposal, while 71 per cent voted against in Zurich, the financial capital.

The most emphatic rejection of the UN came, however, from the smaller German-speaking cantons at the heart of the country.

Neutral budget expected in S. Africa

BY ANTHONY ROBINSON IN CAPE TOWN

SOUTH AFRICAN Finance Minister, Mr Barend du Plessis, is today expected to present a broadly neutral, or at most a mildly stimulatory, budget for the fiscal years starting on April 1.

The budget will represent a compromise between demands for higher spending, especially on security and black social and educational programmes, and fears that government spending is already too high and a major factor behind a record inflation rate and unprecedented tax levels.

The minister's margin for manoeuvre is very tight. The economy is expected to grow by 3 per cent this year, after a 0.6 per cent decline in gross domestic product last year. But the recovery is fragile. Inflation, at an annual rate of 20.7 per cent in January, threatens to erode the competitive advantage bestowed by rand depreciations.

But South Africa cannot afford to see a serious erosion of its surplus on the current account of the balance of payments.

It is committed to repaying over $2bn (£1.37bn) o fits $24bn foreign debt this year. Of this, $500m will go to international bankers under the terms of the interim arrangament negotiated in London on February 20.

Last year South Africa ran a payments surplus of more than Rand 7bn (£2.4bn) and this year is planning a surplus of about R4.6bn, according to the reserve bank. Running the domestic economy at a level which will guarantee a minimum surplus around this level is the major restraint under which the budget has been formulated.

In spite of these restraints, however, both external and internal economic circumstances are more favourable than last year when the country suffered from a collapse of foreign confidence.

This culminated in temporary closure of the Forex and stock markets, and the two-tier rand system and a unilateral "standstill" on $14bn of the foreign debt in September.

Over the first 10 weeks of this year the rand has appreciated by around 20 per cent against major currencies. The lower oil price is expected to benefit the balance of payments by around R2bn, both through lower import costs and through the stimulation of mineral and other exports from higher world economic growth.

The dolar gold price has also moved higher this year, and gold accounts for around 50 per cent of hard currency earning.

To some extent however a stronger rand is a mixed blessing. It reduces the effect of imported inflation, a major component in present inflationary pressures, but also cuts the rand income and profits of the key gold and other mines.

This, in turn, will prevent a recurrence of last year's tax bonanza from the mines (aided by the tax surcharge applied in last year's budget). Higher tax revenue from the mines, inflation-inspired fiscal drag, and a 20 per cent rise in the general sales tax last year all pushed tax revenues sharply higher than budgeted. This was fortunate for the Minister of Finance because Government spending also soared well above budget — in spite of pledges last March that keeping government spending below the rate of inflation was the top priority.

This year the consensus among economists is that the depressed economy provides scope for a small rise in Government spending and/or a selective reduction in the tax burden.

Clashes at Transvaal mines claim 14 lives

BY JIM JONES IN JOHANNESBURG

VIOLENCE claimed 14 lives at two strike-hit South African gold mines at the weekend. At thet Blyvooruitzicht mine near thet Transvaal town of Carletonville six black miners and a security guard were killed in clashes between police, mine security personnel and striking miners late on Friday night. At least 176 men were injured.

At the Vaal Reefs gold mine near the town of Klerksdorp seven men were killed and 67 injured in what the mine's management described as faction fighting between Xhosas and Basothos.

Black miners have been striking at Blyvooruitzicht since the start of last week in support of demands for revised production bonus payments. The mine was closed on Thursday to prevent further underground sit-ins by miners and management has been negotiating with the National Union of Mineworkers (NUM).

The mine's management claimed that intimidators prevented the men reporting for work after two days of talks on the bonus issue ended on Friday. Police were called in after a crowd of more than 1,000 men assembled following the arrest of two alleged intimidators.

About 160 men have been dismissed at Blyvooruitzicht and 1,000 others involved in the stoppage have told management that they want to return to work. According to a mine spokesman everyone is expected to return to work today.

The fighting at Vaal Reefs comes in the wake of a series of strikes and stoppages over the past three weeks which began after police detained nine black miners following the murders of four senior black employees. Vaal Reefs' management says it does not know the reasons for the sporadic work stoppages.

Meanwhile, the authorities have closed six black schools in the Carletonville area, just outside Johannesburg after pupils stayed away from classes in protest at the detention by police of 11 classmates.

The Carletonville closures brought to 21 the number of black schools shut by the authorities in the Western Transvaal during the past fortnight. As life in Johannesburg's riot-hit Alexandra township returns to some semblance of normality, community leaders called on schoolchildren to return to classes today.

Sabah hit by further bomb blasts

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN state of Sabah was hit by further bomb blasts and demonstrations yesterday as Moslems continued agitating for the removal of the Christian-dominated government. However, Kota Kinabalu, the capital, was returning to normal after the arrest of more than 700 illegal immigrants from the Philippines and Indonesia.

Two people suffered minor injuries when two home-made bombs exploded in the timber port of Sandakan, while in Tawau, on Sabah's eastern seaboard, more than 1,000 Moslems marched down the streets calling on the federal government to impose emergency direct rule to break the political impasse.

The arrival of Kota Kinabalu's 150,000 residents were pressured by Tan Sri Hanif Omar, Malaysia's inspector general police in Kota Kinabalu on Saturday, and by police raids on illegal Filipino and Indonesian settlements dotted along the city's waterfront. Many people spent much of last week behind doors for fear of racial violence.

Tan Sri Hanif Omar said the 5,000-strong Sabah police force was in control, although the situation was still tense. Seven units of riot police had been flown in from West Malaysia to maintain security, he said. The 700 illegal migrants would be deported.

Meanwhile, the Malaysian elections commission has, for the second time, postponed fixing a date for elections in Sabah, citing the uncertain political situation.

The Sabah state assembly was dissolved last month,

Israel to bring in $300m budget cuts within week

BY ANDREW WHITLEY IN TEL AVIV

THE ISRAELI Government announced yesterday it would implement within a week its announced budget cuts of $300m (£204.36m) for the coming 1986 fiscal year.

Critics of the Government's economic policy, including Western diplomats and senior members of the coalition administration, have focused on the Government's failure to carry out several announced budget cuts.

A senior Finance Ministry official said yesterday that failure to implement the latest cuts would endanger Israel's emergency economic programme.

Yesterday's decision empowers the Government to impose new taxes on retirement pensions and maternity benefits, prolong an existing tax on child allowances, and introduce a levy on education.

The difficulties faced by Mr Shimon Peres, the Prime Minister, in putting the proposals into practice were underlined by their swift denunciation by the Histadrut, the trades union federation. The Government and the Histadrut are currently locked in annual wage negotiations.

With little state cash to spare for the foreseeable future, Israel's chief administrator for the occupied West Bank and Gaza territories, meanwhile, flew yesterday to the US with the aim of raising up to $100m for so-called "quality of life" projects in the Israeli-occupied region.

Mr Shmuel Goren took with him a shopping list of job-creation projects and proposed social amenities such as hospitals and schools.

These will be carried out by international aid organisations such as the United Nations Relief Work Agency, which looks after Palestinian refugees.

In recent official contacts, the US has been urging the Peres Government to take tangible steps to improve conditions in the occupied Arab territories as a means of helping the Middle East peace process.

Over the years, successive Israeli governments have poured funds into Jewish settlements and infrastructure projects of strategic importance to Israel, but paid scant attention to the region's economic needs.

● Inflation rose in Israel by 1.6 per cent last month, the government has announced. This compares with a fall of 1.3 per cent in January and brings the annualised rate for the seven months since July to 23 per cent.

Last July, the coalition National Unity Government introduced an emergency economic programme, including a substantial devaluation of the shekel, budget cuts and a comprehensive price freeze.

Announcing the February consumer price index, the Central Bureau of Statistics said the main contributor to last month's price rise—the highest since October—was increases in the price of fresh fruit and vegetables.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer; London: Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

OVERSEAS NEWS

Mexico to unveil measures for boosting exports

BY DAVID GARDNER IN MEXICO CITY

MEXICO is today due to announce a package of measures designed to boost non-oil exports, which the Government hopes will make up for a portion of the revenue the country will lose this year as a result of the collapse in international oil prices.

As a result of the oil market collapse Mexico has calculated that it will lose around $6bn in export revenue this year.

The Government expects the new measures to help generate an increase in non-oil export earnings of around $1bn this year, which will reduce its new finance needs by that amount.

Mr Jesus Silva Herzog, the Mexican Finance Miniater, said here last week that the country's new finance requirements for this year would be $6bn.

The Government would seek to borrow $4bn from its commercial bank creditors and international financial institutions, to renegotiate $1bn falling due this year with Paris Club creditors, with the remnant coming from the better performance foreseen for Mexican manufactured exports.

Mexico is currently understood to be negotiating credits worth some $500m from the World Bank to help finance import liberalisation which it hopes will boost its non-oil exports.

Until the oil price collapse, Mexico earned three quarters of its foreign exchange from crude exports, as wel as half its tax revenue.

US steel maker reaches tentative deal on pay

BY WILLIAM HALL IN NEW YORK

LTV STEEL, the second biggest US steel producer, has reached a tentative agreement with the United Steelworkers of America (USW) on a wage contract which will give the LTV Steel workforce an equity stake in the company in return for accepting wage concessions.

The company's labour costs of $25.19 (£17.16) an hour are among the highest in the US steel industry, and its financial condition has led to fears that it would be forced to file for protection of the bankruptcy courts if it did not win wage concessions from its workforce.

The tentative agreement still has to be ratified by the more than 30,000 workers at LTV Steel's 24 plants

Details of the agreement were not immediately available but according to newspaper reports, the contract will save the company $3.60 an hour in wages, benefits and other costs.

The USW had said earlier that its members will "receive a dollar-for-dollar payback in equity for any wage benefit reductions."

The company and the USW have been negotiating since January 22 and had set a deadline of March 15.

The outcome of the LTV wage bargaining is seen as critical for the future of both one of America's biggest steel producers and the US steel industry as a whole.

LTV Steel is the first leading US steel company to reach a tentative settlement at company level.

Until this year, wages were set by an industry-wide bargaining procedure. This has been abandoned because of the mounting financial problems of some of the industry's weaker members.

The LTV settlement will play an important role in wage bargaining at other leading US steel producers.

● LEADERS of the eight-month strike at the Hormel meat packing plant in Austin, Minnesota, have vowed to carry on their action in spite of the parent union's decision to withdraw strike pay of $40 (£27.25) a week, writes Terry Dodsworth in New York.

The strike has become one of the most closely followed in recent years because it has been marked by unusually vigorous attempts to mobilise national support against swingeing wage cuts.

A New York consultant, Mr Ray Rogers, was brought in by the local union leadership to advise on tactics aimed at embarrassing the Hormel company's financial backers and to rally the support of other unions.

Regan confident about superpower summit this year

BY REGINALD DALE IN WASHINGTON

THE US still expects the next superpower summit to take place this year although not necessarily in the summer, as Washington would prefer, Mr Donald Regan, the White House chief of staff, said yesterday.

Mr Regan expressed confidence that Mr Mikhail Gorbachev, the Soviet leader, would bonour his promise at the last summit, in Geneva in November, to the US for another meeting with President Ronald Reagan in 1986.

While the US still wanted the summit to be in June or July, "if it turns out to be November or December, so be it," Mr Regan said in an interview with NBC television.

Mr Regan said that setting a date for the meeting was up to the Soviet Union. He conceded that Moscow would have liked more progress in the Geneva arms talks before finalising arrangements for the summit, but said that if that meant that the US should simply buy the Soviet position in the arms negotiations, Washington was not going to do it.

There was no deadline for agreeing on a summit date, Mr Regan said. The US could wait until as late as May and still be ready for a summer meeting. Other administration officials, however, are saying that time is running out for a summer summit and that the meeting may not take place until late this year or even early in 1987.

David Buchan adds from Moscow: The Soviet Union has poured scorn on President Ronald Reagan's call for further super-power discussions on nuclear test monitoring as "a political manoeuvre aimed at evading the Soviet Union's proposal on ending all nuclear testing."

The rebuff in a Tass commentary, which also described as an "already familiar propaganda gimmick" Mr Reagan's suggestion that Soviet observers attend the next US nuclear test in Nevada, came as senior US and Soviet officials held evidently frosty discussions in Stockholm after the funeral of the late Mr Olaf Palme there. It also followed the major row over Soviet representation at the United Nations.

In the Stockholm talks Mr George Shultz, US Secretary of State, and Soviet Prime Minister Nikolai Ryzhkov, were apparently unable to agree on any detail or date for the planned summit.

Mr Mikhail Gorbachev warned earlier that his attendance at a summit might depend on prior progress on arms control, including the curbing of nuclear tests.

Last week he further extended the unilateral Soviet moratorium on nuclear testing until such time as the US conducted a test itself. However, the Reagan administration quickly made clear its intent to continue testing in order, it said, to catch up with Moscow in weapons modernisation and to maintain the reliability of its nuclear forces.

Tass also denounced over the weekend President Reagan's latest statement to Congress on regional security as a policy of "neoglobalism, designed to impose Washington's will on the world by using military power and gangs of terrorists.

Poland raises food and vodka prices

By Christopher Bobinski in Warsaw

THE first round of increases for basic foodstuffs since the beginning of last year was announced by the Polish Government at the weekend.

The prices of bread, cereals, dairy products and sugar, all items which are no longer rationed are to go up by 10 per cent today. The price of vodka is also to rise by 10 per cent. However, family allowances are to be adjusted upwards.

The Government said that the consultations with consumers on prices, which accompanied previous rises and were designed to defuse consequent industrial unrest, were no longer possible.

A rise of no more than 9 per cent on the price of meat, which is still rationed, is planned for August and prices of electricity, gas and coal are to go up in the early Food will continue to be subsidised, the government says, claiming that a price increase of 30 per cent would be necessary to eliminate the subsidies.

● Lech Walesa, head of the banned Solidarity trade union, said in Gdansk yesterday, that protests by workers against the price rises would be justified.

Finnish workers end stoppage

FINLAND'S biggest labour conflict in 30 years came to an end this weekend when 250,000 blue-collar workers stopped a crippling three-day wage strike that had halted foreign trade and production at vital paper and metal industries, reports Reuter from Helsinki.

N-test ban urged at Palme memorial service

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

LEADERS of the Five Continents Initiative, of which Mr Olof Palme, the late Swedish Prime Minister, had been one of the driving forces, have renewed their call to the superpowers to halt all nuclear tests at least until the next summit meeting. Their plea was made in Stockholm where world leaders had gathered for a memorial service for Mr Palme.

The theme was taken up by Mr Rajiv Gandhi, the Indian Prime Minister, in his address at the memorial ceremony. Six countries — Sweden, India, Greece, Argentina, Mexico and Tanzania have offered to undertake the verification of such a test ban, so as to remove all doubts about compliance and possible violations," said Mr Gandhi

The message to the US and Soviet leaders calling for a nuclear test halt was signed by Mr Palme on February 28, only hours before he was assassinated on a street in the middle of Stockholm.

Mr Ingvar Carlsson, the new Swedish Prime Minister, has taken Mr Palme's place in the Five Continents Initiative, and yesterday was also asked to take over the chairmanship of the Palme Commission, which is to be renamed the Palme Commission on Disarmament and Security Issues.

Mr Carlsson held talks over the weekend with more than 40 of the foreign leaders attending Mr Palme's funeral including Mr George Shultz the US Secretary of State and Mr Nikolai Rysjkov, Soviet Prime Minister, President Francois Mitterrand of France, Chancellor Helmut Kohl of West Germany, Mr Bettino Craxi, Italian Prime Minister, Mr Felipe Gonzalez, Prime Minister of Spain, President Mario Soares of Portugal, Prime Minister Shimon Peres of Israel and the leaders of the other Nordic nations.

At the meeting with Mr Rysjkov it was agreed that Mr Carlsson will visit Moscow on April 14, a week later than the visit previously planned by Mr Palme to the Soviet Union

The visit is an important step in normalising relations between the two countries, which have been strained by repeated Soviet submarine violations of Swedish territorial waters.

In spite of the presence of so many world leaders, the memorial ceremony for Mr Palme was conducted with a moving simplicity. Yesterday many thousands still queued in the centre of Stockholm to file past the grave in the Adolf Fredrik churchyard, only a few hundred yards from where the Swedish Prime Minister was shot by a still unknown gunman shortly before midnight on February 28.

Mr Olof Palme

The ceremony and the funeral were organised by the Social Democratic Party, which Mr Palme had led since 1969, rather than by the state. In the midst of the national sorrow and mourning and the spontaneous grief that have followed Mr Palme's murder, the memorial ceremony was marked by the themes of light and hope and the causes for which the Swedish Prime Minister had fought on the international stage.

The simple white coffin, covered with red roses, lay in the blue hall of the Stockholm city hall before a large backdrop of the UN symbol. Round the area were written the words for peace and freedom

Mr Ingvar Carlsson expressed the "anger and grief" felt at the assassination of Mr Palme, but his speech was also a poignant personal memory of the man at whose side he had worked for nearly 30 years.

"We all have many different memories of Olof Palme. Some of them are of a physical nature, like his unruly hair which it seemed impossible to comb into place, the hopeless tie, the ceaseless dancing of his feet behind the rostrum when he made a speech . . . Olof Palme's words were unambiguous and compelling.

"His commitment was profound and genuine. It was above all the momentous issues facing mankind that fascinated and challenged his creative spirit. He moved people's hearts."

Head of Marcos probe welcomes US co-operation

By Our Foreign Staff

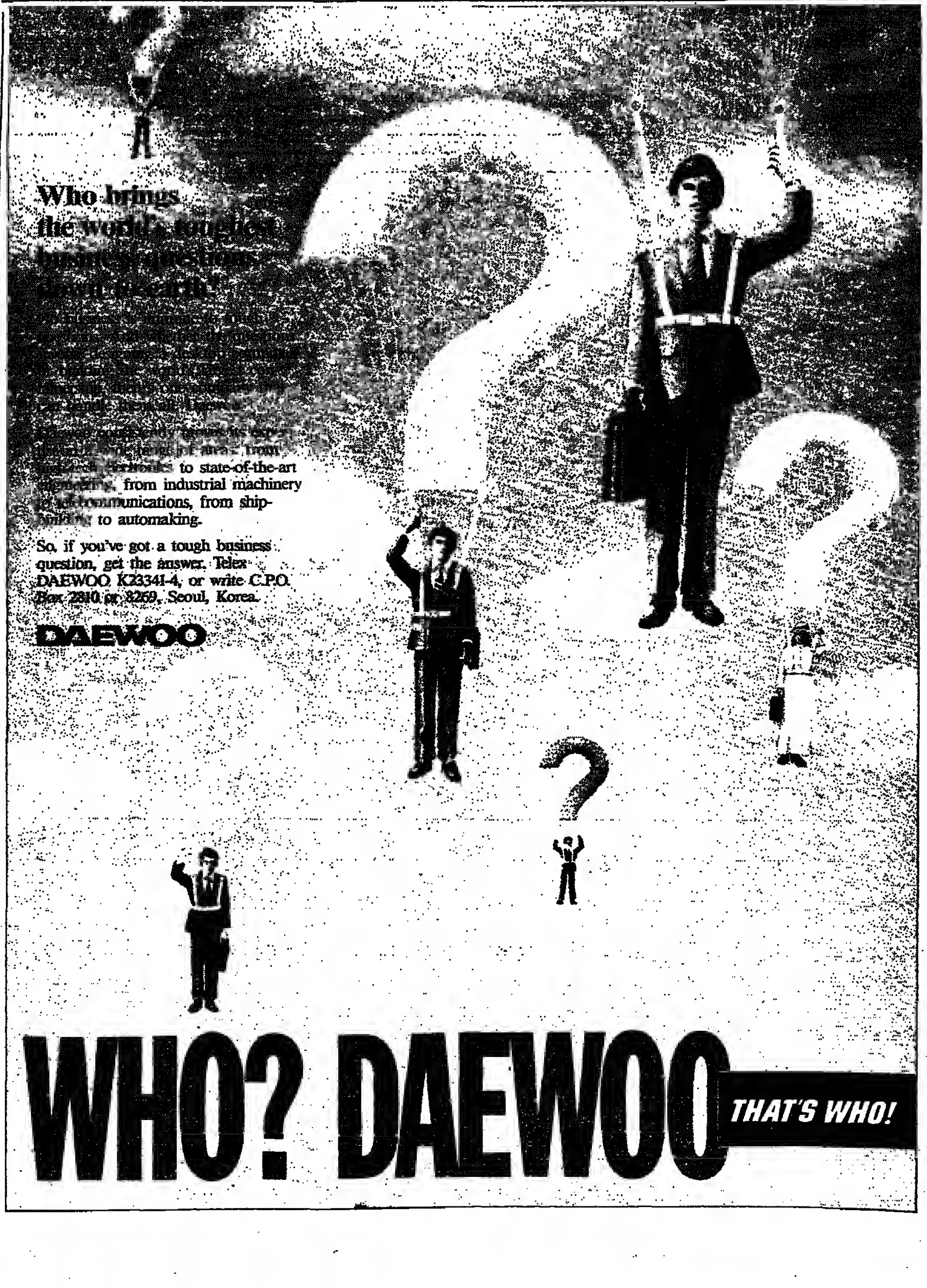
THE HEAD of a Philippine Commission investigating the finances of Mr Ferdinand Marcos, the former president, said at the weekend that the US authorities had promised to co-operate in efforts to obtain 1,500 documents which might shed light on Mr Marcos's holdings.

After meeting Mr Michael Armacost, US undersecretary of state, on Saturday, Mr Jovito Salonga said: "We have been assured of full co-operation by the US Government within the context not only of American law but Philippine law

"The significance, I like to think, is that we will get the turnover of the documents at the earliest possible time,

The records, in the custody of the US Customs Service, were among the planeload of possessions brought to Hawaii last month after Mr Marcos was ousted from power.

The US Justice Department said in a legal filing on Saturday that it would hand over the documents this evening. However, a hearing is scheduled for today in the Court of International Trade on another motion, filed by Mr Marcos's lawyers, to block access to the records.



Turkey devalues lira and halts currency reforms

BY DAVID BARCHARD IN ANKARA

THE TURKISH central bank has devalued the lira against the dollar and other Western currencies and halted several key currency liberalisation measures introduced over the last two years.

In a bid to restore order to foreign currency markets, the lira was devalued on Friday evening by 5.3 per cent against the dollar and 7 per cent against the West German mark, leaving it at a rate of 645 to the dollar and 285.45 to the mark. One English pound is now worth TL 945.44.

More significantly, the central bank has trimmed to 1 per cent the margin on either side of its official exchange rate within which the commercial banks may set their prices for foreign exchange.

This is being seen here as a major setback in plans to liberalise the foreign exchange regime and an indication that the central bank is hard pressed for foreign currency.

This year and next are "hump years" in Turkey's debt repayment schedule with a total of more than $3bn (£2.08bn) falling due each year in interest and principal repayments. It is believed that the central bank's problems have worsened because of late payment by some of Turkey's Middle Eastern creditors including Libya and Iraq.

Foreign exchange rates in Turkey have been announced on a daily basis since May 1981 with the banks being given increasing freedom to set their own rates since Mr Turgut Ozal became Prime Minister in December 1983.

However, in the last few weeks there has been a tussle between the central bank and Turkey's major private banks with the rates offered by the latter often soaring far above the central bank rate to the maximum permitted limit. Last week the major Turkish private banks were offering rates of about TL 950 for £1 while the state banks and central banks were sticking to about TL 890.

The central bank said that the new restrictions are only temporary and there will be a return to full free market operations as soon as possible.

It has also taken steps to allay fears of ordinary savers, whose total deposits with commercial banks amount to $2bn.

Oil price of $10 'would raise demand sharply'

By Max Wilkinson, Resources Editor

OIL CONSUMPTION in the non-Communist world would rise by about 6m barrels a day by 1988 if the price fell to $10 a barrel, according to DRI Europe, an independent forecasting agency.

In a study for its clients, the agency suggests that if this price some oil production by non-Opec countries, particularly North America, would be stopped.

It says: "The combination of these forces would raise demand for Opec output to such an extent that a price rise would be extremely likely."

DRI believes that demand would rise among oil-consuming nations even if governments offset the fall in the price of oil by one-third by raising taxes.

For Opec countries, a $10 oil price would mean a further big cut in imports although more oil would be produced than at present.

For Mexico, Egypt, Algeria, Iraq, Iran and Nigeria the combined current account deficits would be $15bn in 1987, in spite of big cuts in imports. DRI suggests this would be financed by forced extra borrowings from the commercial banks.

The report suggests that among industrial nations as a whole lower oil prices would result in higher output and lower inflation than would otherwise have been the case.

REPORT BY INTERNATIONAL BANK SUPERVISORS

Efforts to reduce the risks banks run

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT IN BASLE

"THERE IS a development in the international capital and banking markets which is of the order of magnitude of significance to the original development of the euromarkets."

That is how the current mood of financial innovation is described by Mr Peter Cooke, the senior Bank of England official who chairs the leading committee of international bank supervisors at the Bank for International Settlements in Basle.

With its report on the management of banks' off-balance sheet exposures, his committee has today given a first detailed glimpse of how government agencies responsible for supervising the banking system are planning to react.

The report homes in on the rapid expansion of new-style business which is hidden from public gaze because it does not appear on published bank balance sheets. It does not go so far as to prescribe new regulations to safeguard the banking system, but it lays great stress on the responsibility of bank managements in monitoring and controlling the new risks they are running.

Instead it sets out to define and quantify the risk inherent in innovative techniques such as options, debt swaps and underwriting commitments under euronote issuance facilities.

"Some of these are technically very complicated and are probably only fully understood by a small number of traders and market experts; many pose complex problems in relation to the risk measurement and management control systems," the report says.

Off-balance sheet risk cannot, however, be analysed separately from on-balance sheet risk, it continues. "Supervisors consider it particularly important that banks adopt a co-ordinated approach to risk management and pay special attention to the possible correlation of different types of risk, both within the individual bank and the banking group as a whole."

It identifies three broad areas into which the risks inherent in new financial instruments tend to fall. These are funding risks, which means that banks may not be able to finance commitments as they fall due; interest rate and foreign exchange risks, which may produce losses due to movements in the respective markets; and credit risks where a bank will lose money if its customer defaults.

Peter Cooke: chairman of bankers' committee

This last category is the one which the committee still perceives as the most serious. A main thrust of the report is to quantify the relative credit risks inherent in the new instruments.

It identifies three main categories into which they fall —full risk, equivalent to that of a direct credit which is carried on a bank's balance sheet; medium risk, which is significant but not as great as that of direct credit; and low risk, where there is a small credit risk but not one which can be ignored.

These risk categories clearly form the basis against which capital requirements will eventually be imposed on off-balance sheet business. They accord with the risk-asset system used in the EEC for measuring capital requirements and due to be adopted by the US, Japan and Canada.

However, the report falls short of prescribing precise capital requirements for the three categories. Instead it concentrates on placing individual types of instrument within the general risk categories. That may seem a modest start, given the pace of change in the capital markets, but one important achievement of the study, central bankers say, is that it has arrived at a series of common definitions for the plethora of off-balance sheet instruments and the degree of risk they entail.

It draws attention to the funding risk inherent in the "very large" worldwide total of standby commitments arising out of euronote underwritings, standby letters of credit, loan commitments and undrawn overdraft facilities.

These should not be allowed to grow out of line with a bank's ability to fund the commitments as they fall due, it says.

Options, in which banks sell or buy the right to trade a given financial instrument at a pre-set price at some time in the future, give rise to particular concern, it says. Rigorous limit and control systems are necessary and "as with any dealing activity bank managements need a formal written policy for authorising the activities of their traders."

"Banks which are not confident that they have a sound grasp of the risks involved in options trading and that their monitoring systems are adequate are advised not to write options."

On debt swaps where banks arrange an exchange of debt between one borrower and another, the report says the credit risk is limited to the cost of replacing debt service cash flows at current market rates if one party defaults. The problem is that this will fluctuate, depending on the maturity of the contract outstanding and the level of interest and exchange rates at any one time.

Nonetheless, bankers need to estimate the potential credit exposure arising from swap transactions to be able to comply with credit limit constraints and to price their deals correctly.

"Banks are advised to build a cautious bias into their estimates and to revalue their portfolio of such instruments regularly to ensure that they are not underestimating counterparty credit exposure."

More generally the report warns that off-balance sheet exposure should be included in calculating the credit limit set on dealing with individual customers so as to avoid excessive exposure to one single customer.

Also bank managements must introduce effective risk control systems, without which they will have no sound basis for controlling, monitoring and planning their off-balance sheet exposure.

"Without accounting systems which enable independent checking and reconciliation procedures to be carried out on a routine basis, the detection of potential losses will be very difficult and the risk of fraod will increase."

Saudi Arabia threatens to curb riyal speculators

BY KATHY EVANS IN DUBAI

THE Saudi Arabian Monetary Agency (Sama) warned bankers over the weekend that it would consider revaluing the riyal to punish speculators against the currency.

There have been rumours in recent weeks that the Kingdom might consider devaluing the riyal to cut its riyal-dominated expenditure in the face of falling oil revenues. Fears of a devaluation increased when the Government decided last week to defer its annual budget for five months. Last week, overnight rates soared to more than 20 per cent.

Sama's threat of revaluation was conveyed to senior bankers during a meeting with agency officials who said the Government had no plans to devalue the currency. Bankers in the Gulf said the threat of revaluation would probably be enough to cool the market in the next few weeks.

Sama's move is likely to dampen speculation which emerged last week about the United Arab Emirates dirham. At the end of the Islamic week, spot rates for the dirham rose to unusually high levels, but settled yesterday.

In Kuwait, Sheikh Sabah al Ahmed at Sabah, the foreign minister, declared that Kuwait intended to cut its budget by 25 per cent in the financial year beginning in June. This was a surprise to local analysts who expected a cut of only 15 per cent in spending.

Sheikh Sabah told the newspaper Al Siyassah the cut would not affect the standard of services provided by the state.

Iraqis raid Iranian camp

Iraqi warplanes launched a surprise raid on an Iranian military camp near Ahvaz in western Iran yesterday, destroying 500 armoured vehicles, many of them tanks, a military spokesman reported, Reuter reports from Baghdad.

He said 56 fighter-bombers took part in the raid "and destroyed all the tanks and other armoured vehicles in the camp."

A rocket battery was also destroyed and a large number of Iranian soldiers were killed, the spokesman said, adding that all the aircraft returned safely from the raid.

Ahvaz, 350 miles south-west of Tehran, is a major Iranian industrial complex and military base.

US groups agree prop-fan link

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A LINK between two major US aero-engine companies on the revolutionary new prop-fan aero-engine development has been agreed involving Pratt & Whitney, part of the giant US United Technologies group, and the Allison Engine Division of General Motors of the US.

The two companies, which have been working on their own independent prop-fan studies, have agreed to work together on the development of a new prop-fan engine, using a gear-box. Other ventures, such as that by General Electric of the US, use a gearless system.

Hamilton Standard, the propeller manufacturing division of United Technologies, is also involved in the deal.

The aim is to produce a geared prop-fan engine for flight test by the summer of 1987, to meet airframe manufacturers' plans — primarily those of Boeing and McDonnell Douglas—to have a new 150-seater airliner in service by 1992 using the prop-fan development.

The prop-fan is the latest development in the well-understood principle of harnessing the gas-turbine engine with a propeller. The difference with the prop-fan is that improved technology in the gas-turbine engine, coupled with edvances in propeller-blade design, result in an engine that is claimed to be up to 40 per cent cheaper in fuel costs than the present generation of advanced jet engines.

These claims have yet to be sustained in flight-test programmes, the first of which is due to start this summer, using a General Electric (US) prop-fan in a Boeing 727 airframe, and will be continued in 1987 using the Pratt & Whitney/Allison engine in a McDonnell Douglas MD-80 twin-engined airliner.

Already Boeing of the US is developing its 7J7 airliner for service in 1992, using the pro-fan engine, with McDonnell Douglas planning e versioo of the MD-80 aircraft for service about the same time.

Boeing recently announced a deal with three major Japanese airframe companies for their 25 per cent participation in the development of its 7J7 airliner, covering financing, design, development and production, and McDonnell Douglas is to work with Saab-Scania of Sweden on the prop-fan airliner, along with Aeritalia of Italy and the Chinese Shanghai Aviation Industrial Corporation.

Shuttle engineering group changes management team

BY WILLIAM HALL IN NEW YORK

MORTON THIOKOL, the US chemicals group which made the rocket motors used in the ill-fated launch of the space shuttle Challenger, has replaced the management team which overruled the objections of company engineers and recommended the launch of the Challenger in January.

Mr Edward G. Dorsey, a veteran of the company's space booster programme, has been brought out of retirement and appointed vice-president and general manager of Morton Thiokol's space division.

The move comes less than a month after Thiokol engineers responsible for building the shuttle's booster rocket motors told a presidential commission investigating the shuttle disaster that they had unanimously recommended against proceeding with the launch. They had felt that low temperatures too could cause problems with the rubber seals

Morton Thiokol management, led by Mr Gerald D. Mason, a senior vice-president, recommended that the launch proceed because there was no clear correlation between temperature and past incidents of erosion on the seals.

Until now operational responsibility for Morton Thiokol's space businesse has rested with Mr Mason, who reports to Mr U. Edwin Garrison, the president of the aerospace division. Mr Mason will now concentrate on the group's strategic and tactical propulsion systems.

Westland lands £65m helicopter deal with India

BY K. K. SHARMA IN NEW DELHI

WESTLAND, THE British helicopter group, has finally landed the £65m contract with India for 21 W-30 helicopters.

The contract was signed in New Delhi by Mr K. Sandilya of India's Finance Ministry and Mr F. N. Richards of the British High Commission. The deal, which had been dogged by uncertainties for more than a year, is being financed by British Government grant aid.

The order was virtually cancelled in the middle of last year by India on the grounds that the helicopters did not meet specifications laid down for the offshore operations of the Oil and Natural Gas Commission.

It is widely believed, however, that the order came under threat because of the Indian Government's feeling that Britain was not doing enough to curb the activities of Sikh terrorists said to be operating from the UK.

The deal has gone through mainly because of high-level contacts between tha British and Indian Prime Ministers.

Westland modified the balicopters to meet India's requirements and the final tests on the aircraft have been carried out in Bombay during the past couple of months.

India has also ordered 21 Dauphin helicopters from France and these aircraft and the W-30s will be used by the newly-formed Helicopter Corporation of India for offshore operations, tourist charters and rescue work.

Hazel Duffy adds: Sir John Cuckney, Westland chairman, said yesterday he is "delighted that the order has been signed."

Certain formalities relating to guarantees on the contract have still to be finalised, but the company expects to be delivering the first helicopter within the next few months, and then up to three every two months.

The fixed price contract, without escalation, was negotiated in 1984. A production line was set up for the order—one W-30 is in India and four were nearing completion—when uncertainties forced work to stop.

Although doing little to return Westland to profit, the contract will laad to more orders for tha W-30, it is hoped, and utilise the plant's resources.

US compact disc plant for West Germany

By Our San Francisco Correspondent

WARNER Communications, the US electronics and entertainment company, is to begin large-scale manufacture of compact discs at factories in the US and West Germany this year.

The Warner operation will supply discs for the company's own recording business and will contribute substantially to a dramatic increase in the number of discs produced next year.

Warner's projected output of 21m discs next year will be more than the total US consumption last year, which was about 20m. Industry projections suggest that worldwide compact disc sales will total 130m this year.

In the US, Warner will convert part of its Olyphant Pensylvania record factory to produce 14m compact discs annually. In addition, Warner plans to produce compact discs at its plant in Alsdorf, West Germany.

Our Singapore Correspondent writes: Apple Computer of the US is to spend S$23m (£7.3m) on a new manufacturing, distribution and service centre in Singapore. This brings the company's total commitment in Singapore

Construction of the new factory will start immediately.

French cut export credit subsidies

BY DAVID MARSH IN PARIS

FRANCE IS profiting from the continuing fall in domestic interest rates by making further cuts in subsidies on export credits.

The result of the latest measures, announced at the end of last week, will be to reduce sharply the annual budgetary cost of subsidising interest rates on export credits to less than FFr 1bn a year, concentrated mainly on loans to the poorer developing countries.

This compares with the overall cost to the French budget of subsidising interest rates on export credits of around FFr 10bn (£933m) last year.

The latest steps round off a series of export credit liberalisation moves made by the outgoing Socialist government.

They have been geared above all to ending subsidies on export credits to other industrialised countries, the Soviet bloc and oil exporting nations, and to allowing French bankers greater leeway to offer competitive loan packages to foreign importers.

Liberalisation has largely been made possible by the sharp fall in capital market interest rates over the past year.

This bas brought Frencb bond market rates below the minimum interest rates for officially-supported export credits agreed to richer and intermediate-income countries under Organisation for Economic Co-operation and Development consensus agreements.

Officials admit that any renewed upturn in French interest rates would automatically raise the need for fresh recourse to subsidies.

At the turn of the year, the Government announced the ending of interest rate support by the Bank of France and Banque Française du Commerce Extérieur for the main categories of credits to richer countries.

Last week's steps, agreed after consultations with banks, remove all subsidies for the shorter maturity portions of export credits to rich and intermediate-income countries.

Budgetary funds will still be used to keep down interest rates on the longer-term portions of intermediate-income country loans.

The result, according to Finance Ministry officials, will be to concentrate remaining state interest rate support—representing about 1½ percentage points of the export credit cost—on the FFr 10bn-FFr 15bn of export credits France makes annually to the relatively poor developing countries.

The Government is also allowing Coface, the export credit insurance agency, to use the newly-established French financial futures market to offer exportars and their clients guaranteed fixed interest rates over renewable six monthly periods.

China puts telecom system into operation

By David Dodwell in Hong Kong

A 975km microwave telecommunications system linking Hainan in tha extrama west of China's Guandong Province with Shantou on the province's eastern coast was commissioned this weekend.

The 1,800-line system, which can carry television, telex and facsimile messages as well as telephone calls, has been built by the Guandong Post and Telecommunications Bureau in collaboration with Cable and Wireless in Hong Kong.

The system links with a north-south microwave route between Guangzhou, the capital of Guangdong, and Hong Kong, the British territory adjoining Shenzhen, China's foremost Special Economic Zone.

Peking nuclear plans

China's Premier Zhao Ziyang has said that his country's plans to develop nuclear power for the rest of this century were unchanged.

The China Daily said Zhao described as groundless reports that China's policy on building nuclear power stations had changed. It said Zhao made his remarks to Mr John Herrington, US Energy Secretary.

West hopes for surge in Comecon orders

BY LESLIE COLITT IN LEIPZIG

WESTERN exhibitors at the Leipzig Trade Fair, the largest East-West trade event, are hoping for a surge in orders from Comecon at the start of Eastern Europe's new five-year plans.

The fair was opened yesterday by Mr Erich Honecker, East Germany's leader.

Comecon countries frequently bunch their orders for Westeai plant and equipment at the start of the plan to match the availability of investment funds.

East Germany's domestic investment budget rose to Marks 63bn this year from Marks 56bn last year and Marks 50bn in 1984.

The greater outflow of hard currency for imports from the West is supposed to be offset at the end of a plan when products made with the Western equipment are sold for hard currency.

Two-thirds of the West German companies polled bafore the fair said they expacted more orders from East Germany.

Wast Germao companies on average taka one-third of East Germany's trade with the West, wbich makas up nearly 30 per cent of East Germany's total trade.

In receot years, East Berlin has hald down imports from Western countries, other than West Germany, to save hard currency.

At the sama tima it has mounlad a major export drive. Thus its imports from the UK fell last year to £64m and exports to the UK soared to a record £204m.

Non-West German companies hava increasingly sought to channal exporta to East Germany through their West German subsidiarias.

Trade betwean East and West Germany is conducted on a claaring-system basis which allows East Germany to make purchases without spending scarce hsrd currencies.

West German daliverias last yaar to East Germany soared 18 per cent to DM 8.6bn wbila purchases dropped 1 per cant to DM 8.2bn.

Nicaragua move backed

BY WILLIAM DULLFORCE IN GENEVA

THE COUNCIL of the Ganeral *Agreement on Tariffs and* Trade has approved tbe terms of reference of the panal to examine Nicaragua's complaint against the US for banning trada with tha Central Amarican country. Members of tha panel bave still to be appolnted.

The ban imposed by President Ronald Reagan last May affects a business estimated to be worth $14m (£10m) a year to Nicaragua. The US claims *that its action is valid* under Gatt'a articla 21 whicb allows a country to protect its essential security interests.

Tha panel was instructed to "establisb to what extent benefits accruing to Nicaragua under the Ganaral Agreement have been nullified or impaired" and to come up with findings that will haelp Gatt take further action.

SHIPPING REPORT

Tanker business increases

FINANCIAL TIMES REPORTER

THE FLOW of tanker business increased last week, especially for those tankers in the middle-size range, according to Galbraith's, the shipping brokers.

It reports several tankers in the 80,000-130,000 ton range being fixed for virtually all loading areas. A charterer based in Kuwait has been particularly active from the Middle East, fixing both crude oil and fuel oil carriers for dastinations in the East and West.

Galhraith's said West Africa continued to feature regularly in the day-to-day market but rates had aased off slightly because of tbe number of vessels heading towards Nigeria and able to give March cancelling.

A number of cargoes had appeared from North Sea ports, although these were destined for local European ports rather than America, but rates looked as if they were on an upward trend.

It has been a further quiet week for sales, although there were transactions which mainly involved more modern tonnage.

World Economic Indicators

TRADE STATISTICS

		Jan. 86	Dec. 85	Nov. 85	Jan. 85
UK £bn	Exports	6.255	6.387	6.301	6.552
	Imports	6.116	6.405	6.515	6.637
	Balance	+0.139	−0.180	−0.214	−0.850
Japan $bn	Exports	12.749	17.927	15.454	11.059
	Imports	10.875	11.284	10.673	10.596
	Balance	+1.894	+6.643	+4.781	+0.463
		Dec. 85	Nov. 85	Oct. 85	Dec. 84
US $bn	Exports	17.024	17.976	17.368	19.142
	Imports	32.888	30.285	27.594	25.933
	Balance	−15.864	−12.309	−10.226	−6.791
France FrFrbn	Exports	73.62	75.18	78.18	75.95
	Imports	77.05	75.67	77.20	76.45
	Balance	−3.43	−0.49	+0.98	−0.50
W. Germany DMbn	Exports	45.60	44.33	44.63	44.42
	Imports	38.10	37.47	38.53	38.35
	Balance	+7.50	+6.86	+6.10	+6.07

BASE LENDING RATES

ABN Bank	12½%	Grindlays Bank	‡12½%
Allied Dunbar & Co.	12½%	■ Guinness Mahon	12½%
Allied Irish Bank	12½%	■ Hambros Bank	12½%
American Express Bk.	12½%	Heritable & Gen. Trust	12½%
Amro Bank	12½%	■ Hill Samuel	§12½%
Henry Ansbacher	12½%	C. Hoare & Co.	12½%
Associates Cap. Corp.	12½%	Hongkong & Shanghai	12½%
Banco de Bilbao	12½%	Johnson Matthey Bkrs.	12½%
Bank Hapoalim	12½%	Knowsley & Co. Ltd.	13 %
Bank Leumi (UK)	12½%	Lloyds Bank	12½%
BCCI	12½%	Edward Manson & Co.	13½%
Bank of Ireland	12½%	Meghraj & Sons Ltd.	12½%
Bank of Cyprus	12½%	Midland Bank	12½%
Bank of India	12½%	■ Morgan Grenfell	12½%
Bank of Scotland	12½%	Mount Credit Corp Ltd.	12½%
Banque Belge Ltd.	12½%	National Bk. of Kuwait	12½%
Barclays Bank	12½%	National Girobank	12½%
Beneficial Trust Ltd.	13½%	National Westminster	12½%
Brit. Bank of Mid. East	12½%	*Northern Bank Ltd.*	12½%
■ Brown Shipley	12½%	Norwich Gen. Trust	12½%
CL Bank Nederland	12½%	Peoples Trust	13½%
Canada Permanent	12½%	PK Finans. Intl. (UK)	13 %
Cayzer Ltd.	12½%	Provincial Trust Ltd.	13½%
Cedar Holdings	13 %	R. Raphael & Sons	12½%
■ Charterhouse Japhet	12½%	Roxburghe Guarantee	13 %
Citibank NA	12½%	Royal Bank of Scotland	12½%
Citibank Savings	¶12½%	Royal Trust Co. Canada	12½%
City Merchants Bank	12½%	Standard Chartered	12½%
Clydesdale Bank	12½%	TCB	12½%
C. E. Coates & Co. Ltd.	13 %	Trustee Savings Bank	12½%
Comm. Bk. N. East	12½%	United Bank of Kuwait	12½%
Consolidated Credits	12½%	United Mizrahi Bank	12½%
Continental Trust Ltd.	12½%	Westpac Banking Corp.	12½%
Co-operative Bank	*12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	13½%		
First Nat. Sec. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%. 1-month 8.80%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9% gross.
¶ Mortgage base rate.
§ Demand dep. 8¾%. Mortgage 13%.

TECHNOLOGY

Alan Cane on the computer failure which halted Stock Exchange traded options dealing last Friday.

Why Big Bang could start with a whimper

THE computer failure which closed the London Stock Exchange traded options market last Friday and forced exchange staff and dealers alike to work over the weekend to clear up the mess has major implications for the City.

● It brought home with dramatic clarity to jobbers and brokers the extent to which their trading efficiency already depends on electronic technology.

● It underlined the fragility of many of the systems already in operation and reinforced widespread fears that some of these may prove inadequate even before the increase in securities trading volume expected after the "Big Bang" in the City in October this year.

● It raised afresh anxieties about the level of resource the exchange and its members are able to commit to developing the electronic systems which are expected to be the key to competitiveness in tomorrow's equities markets.

The major US financial services groups are already spending large sums annually — as much as $100m in some cases — to ensure they have the latest and best electronic systems. The London Stock Exchange has spent £42m on systems development in the past two years and intends to commit a further £38m in the next 12 months to bring its computers and trading systems up to scratch.

Its approach has been, inevitably, to seek low-cost solutions, mixing the best of what it has in place already with more sophisticated technologies.

The equities market, however, breaking records daily, has not helped. The existing systems were designed to handle very much smaller market volumes than those now being experienced. What happened on the traded options market last week exemplifies the difficulties faced by the technicians in patching up ageing computer systems to handle dramatically increased numbers of transactions.

Traded options in London, while very small beer compared to the Chicago stock exchange where the idea originated, are nevertheless one of the fastest growing sectors of the market, averaging 65 per cent a year compound growth.

Over the past 12 months, trading activity has increased significantly, with a growth rate closer to 85 per cent. The average daily number of transactions was 8,000 last September; last week it was 33,000.

Options — which simply give the customer the right to trade in a stock in the future at today's price — are proving popular in today's volatile markets because they are both a low risk approach to gambling on price movements and a form of insurance against large price changes.

Their popularity has had severe consequences for the options clearing system, however.

When volumes were low, the market was able to cope using a simple batch system. Buyers and sellers presented their sales tickets to order entry clerks on the market floor who put the details into the computer system using a simple "dumb" terminal — that is, one without its own processor "brain." The information was fed to an IBM personal computer where bid and offer were matched and the resulting information transmitted as a batch four times a day to an IBM mainframe computer in the London Options Clearing House.

As volumes increased, it became increasingly difficult for the system to cope — there was, for example, insufficient memory available for the system to match bids and offers without long backlogs developing. Several times in the past weeks, for example, the clearing house had been unable to supply end-of-day figures.

The solution was to replace the dumb terminals with a network of six IBM personal computers, one acting as the network controller and each with enough memory to alleviate the capacity problem.

That made possible much more frequent transmissions to the clearing house. The system was commissioned late last week and worked well. There was, however, still a constraint: "We found the inputting of data was slower than we had hoped," said Mr Bernard Reed, traded options group manager.

The fateful decision was taken on Thursday to add, in haste, two more personal computers to the network. Both were will fitted machines which had been in use on other projects. There was no reason to suspect either was faulty and no diagnostics were run on the machines.

When they were added to the network, however, it went into a "loop," a critical condition in which the software talks endlessly to itself and where no information can get in or out.

The immediate fear was that the data collection and transmission program was faulty — that would have been a lengthy repair job. As it was, it took the exchange team four hours to break into the loop and establish that one of the additional personal computers had an as yet undiagnosed fault. It was pulled out of the network immediately: "I would have thrown it from the 24th storey if I could," said Andrew Wilson of the options development team after working through the night to restore the data files.

To clear all the bargains in the system, the decision was taken first to delay opening until 1 pm on Friday and then to close the market all day.

"We have learned a hell of a lot from this," Mr Reed mused late on Friday evening. Among the measures likely to be put in place to prevent a recurrence are:

● A diagnostic program will be used to test each personal computer in the network before the market opens.

● An electronic "filter" will be placed between each personal computer and the network controller to prevent a faulty machine corrupting the rest of the information.

One immediate worry must be that the personal computer network used for data entry in traded options is essentially the same system now used by SEAQ International, the first phase of the Stock Exchange automated quotations system, which will form the cornerstone of the exchange's automated dealing systems.

The efficiency of market clearing systems is now an increasing concern in the City. While dealer/jobber settlement is carried out through the exchange's Talisman computer, some 40 per cent of bargains in equities are processed for stockbrokers and their clients by Centrefile, the National Westminster computer bureau.

Centrefile has decided it is unwilling to invest in the hardware and software necessary to settle bargains after Big Bang.

Stockbrokers are worried, however, that its ageing systems will not hold up until October.

It has built-in limits to the number of bargains it can process every day. Larger brokers are regularly exceeding these limits by large amounts. "It is giving us sleepless nights," one broker admitted, explaining that he was able to cope only by making use of other brokers' unused capacity and by accepting a measure of backlog in his settlements.

Settlement after Big Bang will be handled by two clearing companies — Hoare Govett and Barclays/NMW; some firms are making their own arrangements.

The lessons for the City from the traded options debacle and the Centrefile worry are clear: it is later than anyone thinks and tha consequences of failure will be swift, dramatic and hard to rectify.

The London Stock Exchange traded options market.

Tunnels from coast to tap offshore oilfields

By Fay Gjester in Oslo

A NEW approach to offshore oil and gas production has attracted the attention of Norcem, a leading Norwegian industrial group. It is taking a stake in Petromine — a joint venture which aims to develop sub-sea tunnelling techniques which will enable offshore petroleum discoveries to be tapped from "mines" beneath the sea bed, and reached by tunnels from the shore.

Petromine's managing director Kjell Holestol says the concept would be competitive with oil platforms, and remotely controlled sub-sea wells for large or medium-sized fields lying fairly close to shore, and where sea depth was 200 metres or more.

So far, however, no oil or gas has been found close enough to Norway's coast to make "Petromining" a realistic proposition.

At present, half of the Petromine joint venture is owned by Selmer Furuholmen, one of Norway's largest civil engineering contractors, 30 per cent by Norwegian Big Consultants, drilling technology experts, and the rest by an investment company (also called Petromine). These stakes will be reduced when Norcem—through its offshoot Norcem Cement—takes a 10 to 20 per cent holding.

A Norcem Cement executive said the company was keen to participate because the project would involve the evolution of new concrete technology—a field in which Norcem Cement already specialises.

The concrete used to line sub-sea tunnels and well-head halls would be subjected to enormous strains and would therefore have to meet high standards. The product development required could provide valuable spin-offs for Norcem's other activities.

Valve seats come in from cold

WORTH WATCHING

EDITED BY GEOFF CHARLISH

VALVE SEATS, which are usually assembled into alloy engine blocks by a thermal contraction/expansion process, can be made to grip the sides of the assembly hole using a simpler, cheaper process jointly developed by Manganese Bronze Powder Metal Group (Ipswich) and Rosan Rexnord of Leicester.

Normally, the seat, a cylinder of special composition perhaps 20 mm in diameter, is frozen in a cryogenic bath to reduce its diameter. After it is dropped into the hole, it expands to make an extremely tight fit that will endure regardless of engine temperature and valve action on the seat. Alternatively, the block is heated up, but in either case automated production line systems can cost up to £0.5m.

The MB/Rosan development needs only a suitable press tool costing perhaps £0.2m. As the seat ring is pressed into the hole, it displaces alloy into a peripheral slot, completely locking it into place.

Since there is no reliance on simple frictional gripping, the seat can be quite short, reducing material use. The companies are working on valve stem guides using the same technique. More on 0473 215151.

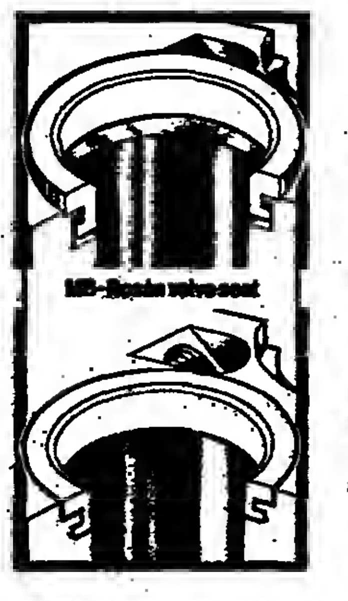
SPEECH RECOGNITION systems developed by PA Technology and the Royal Signals and Radar Establishment under the sponsorship of British Technology Group may go into production soon.

BTG is looking for "forward looking manufacturers" for the next stage of the £400,000 development—to produce a commercial low cost speech recognition module.

The target price is less than £250, with the idea of encouraging wide use of the module with personal computers and computer controlled equipment. BTG is in London on 01-403 6666.

WORD PROCESSING and data manipulation software for technical and scientific work, developed by CTM Computertechnik Mueller in West Germany, includes mathematical and technical symbols and formulae, and the Greek alphabet.

Developed for CTM's mini-computer systems and workstations, the software, called Technoscript, recently became available in the UK. More on 0628 39946.



Krupp rollers save on energy

MINERAL GRINDING becomes 30 per cent less energy consuming using new designs of high pressure grinding rollers from Krupp of West Germany.

In ordinary tube mills, the work material experiences random compressive and shear loading which uses more energy than necessary because sometimes the forces are greater than they need to be. In the Krupp development one of the rollers is hydraulically positioned to suit the materials, minimising energy consumption. Krupp is in Essen on 188 2823.

DUST SENSING in semiconductor manufacture can be carried out with a unit available from Dage Intersem, of the UK.

The yield of all "chip" making processes is greatly influenced by particle contamination and its control. The WH-2 unit from Dage detects dust by collecting laser light that has been scattered by the particles. More on 0296 33200.

COMPACT DISKS using laser technology to record information, developed from the audio hi-fi systems, are again in the news following an agreement between the Dutch group Philips and Grolier Publishing in the US.

The systems called CD-ROM (compact disk read only memory) will be used by Grolier to publish its entire 20-volume Academic American Encyclopedia on a handful of the 120 mm (4.72 inch) disks.

Philips will supply Grolier with the CM-100 drive, a controller card and the disks, while Activenture Corporation will supply search and retrieve software. The package is designed for use on the IBM personal computer and compatibles such as the Philips P3100.

Philips already has a supply agreement with Digital Equipment Corporation which in turn is co-operating with CAB International, an agricultural bureau, to supply farming data.

HIGH DEFINITION TV working at 2000 *lines* resolution and a picture frame rate of two per second has been introduced by Westinghouse *Electric Corporation of* the US (06284 75876).

Applications are expected where very clear, noise-free *still* pictures of accurate geometry are needed at rapid intervals, as in industrial inspection and medical imaging.

Government to stand by BA sale decision

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT has no intention of reversing last week's decision to postpone the privatisation of British Airways, despite the preparation of a management and employee buy-out scheme which will be put to the Prime Minister this afternoon by Lord King, the airline's chairman.

The meeting between Mrs Thatcher and Lord King – believed to be one of her most highly regarded businessmen – was arranged in the middle of last week when Mr Nicholas Ridley, the Transport Secretary, decided to delay BA's flotation because of difficulties over the British-US Bermuda Two agreement on North Atlantic traffic.

The BA management and Phillips & Drew, the stockbrokers, have been considering a possible sale in stages, to management and employees and to financial institutions. The urgency reflects the view that any longer delay might prevent privatisation because of the approach of a general election, and would also have a damaging impact on the morale of senior executives and staff.

The signs in Whitehall yesterday were that Lord King's advocacy would not win the day. Mr Ridley apparently feels that the objections which led to his decision against an early flotation apply as much, if not more, to a buy-out, given the considerable uncertainties at present and the possible exposure of employees' capital.

Mr Ridley's public position has been that the airline will be privatised before the next general election but only when the uncertainties have been resolved.

Lord King's heavy lobbying of MPs – most recently at a lunch for 145 of them at the Savoy hotel in London – has won him considerable support among the Tory backbench MPs who are critical of Mr Ridley. But other MPs dislike what they see as a heavy-handed approach, given Lord King's own high profile.

Mr Kenneth Warren, Tory chairman of the trade and industry committee of the House of Commons, yesterday urged the Government to get on with the privatisation of the airline since the general election was not that far away. Interviewed on BBC radio, Mr Warren said the Cabinet should review last week's decision. He claimed that a substantial number of Conservative backbenchers believed the time was right for privatisation.

Mr Martin Gibbs, head of corporate finance at Phillips & Drew, said the buy-out proposal was still in the planning stage and potential investors had not been approached. However, he was "pretty confident" the necessary funds could be raised.

Lord King is due to address City of London investors tonight.

Peter Riddell on the unmentioned issues at a Conservative meeting

Amnesia affects Tory faithful

IT WAS almost as if the Westland helicopter affair had never happened. Collective amnesia seemed to descend on the 500 senior Tory activists, constituency chairmen and area officials attending the meeting of the Conservative Central Council in Felixstowe, Suffolk, on Friday and Saturday.

Westland was not mentioned by any speaker, either from the platform or the floor, neither did the names Mr Leon Brittan nor Mr Michael Heseltine, the cabinet ministers who both resigned over the affair, pass anyone's lips.

Although they were both ministers as recently as January, they have become non-persons, unmentionable in party discussions like any victim of one of Stalin's purges.

Similarly, the arguments over BL, the state-owned vehicles company, and the possible sale of its subsidiary Land Rover, were only referred to briefly and in passing in one debate – to the evident relief of Mr Paul Channon, the Trade and Industry Secretary.

The representatives (never described as delegates) attending the central council are the establishment of the party, middle-aged, middle-class and instinctively loyal. There is the cosy atmosphere of a wedding reception with uncontested elections and lengthy votes of thanks.

Yet the absence of any mention at all of the traumas of January was remarkable even by Tory standards. Behind the scenes, however, there was some private nervousness.

The public tone was set by Mrs Margaret Thatcher's attack on "professional grumblers" and by the aggressive optimism of Mr Norman Tebbit, the party chairman. He appears increasingly as her *alter ego*, notably in repeated criticism of the television companies.

There was no hint of any softening in Mrs Thatcher's approach. At times she talked about both herself and the Government in the third person – bending and turning is "not this Government's style, nor this Prime Minister's." She spoke of "Leadership" – very much with a capital L – and talked of a crusade to secure popular capitalism.

The Prime Minister even referred, unusually, to "Thatcherism" in the light of reports that it had run its course and was on its way out.

"As an informed source close to Downing Street, I have to report that those reports are eyewash ... We're only just beginning," she said. "We've barely got past the stage of excavation, let alone of 'topping out'."

In true nationalistic vein, Mrs Thatcher proclaimed the message "British is best" and, waving a bottle of what looked like Malvern water in the air, she said it was "humbug to complain about unemployment if you drink French mineral water and drive an imported car." Now, she claimed, people were "queuing up to obtain the new British cure."

Douglas Hurd: warmly received

All this naturally went down well with the council. Yet beneath the bland exterior there were the signs of nervousness. Both Mrs Thatcher and Mr Tebbit stressed the need for hard work in the three forthcoming parliamentary by-elections and the local elections on May 8. Indeed, the Prime Minister, a number of times, added to her prepared text references to letting people know of the Government's achievements and the need to redouble efforts to get the message across.

Like Mr Tebbit on Friday, Mr Kenneth Baker, the Environment Secretary, on Saturday devoted a large section of his speech to attacking the Liberals and the Social Democrats, now never referred to as the Alliance in Tory speeches.

Mr Baker criticised the record of hung county councils, where the parties have a share in power, for producing "higher spending, more staff, confusion and disagreement over policy."

This is likely to be a constant refrain over the next seven weeks, in part reflecting considerable Tory apprehension about possible Alliance gains in May. The leadership hopes that if the Social Democrats can be held to third place in the by-election in Fulham, West London, on April 10, then some of the momentum may be lost.

The other striking impression of the meeting was the warm reception given on Friday to Mr Douglas Hurd, the Home Secretary, for a measured speech on law and order. Neither the style nor the substance – "edging back crime in a calculated manner" – was designed to appease rank-and-file passions.

Mr Hurd has moved a long way from the (recent) days when he was seen as the cold, superior Foreign Office man; he even managed an impromptu joke on Friday.

Promotion for four officials in coal board shake-up plan

BY MAURICE SAMUELSON

MR PETER WALKER, the Energy Secretary, yesterday gave a vote of confidence to the full-time management of the National Coal Board by conferring full board-level status on four of its senior, long-serving officials.

Mr Michael Butler, the NCB's full-time finance director, Mr Malcolm Edwards, commercial director, Mr Ken Moses, technical director, and Mr John Northard, operations director, have each been appointed for a period of five years from April 1. It is understood that their salaries will be unchanged. All are in their early 50s except Mr Northard, who is 59.

Their promotions complete the restructuring of the board which Mr Walker started last October to ensure a smooth transfer of power when Mr Ian MacGregor, the chairman, will be succeeded by Sir Robert Haslam, who also succeeded him as chairman of British Steel.

A further significance of the move, which raises the number of NCB board members to a record 13, is that the industry's top policy-making echelon is no longer dominated by part-timers appointed from outside its ranks.

Mr Walker said the new members each had a lifetime's experience in the industry and together would bring "a wealth of managerial talent" to the board.

In a brief statement welcoming his new board colleagues, Mr MacGregor said they had played "a key role" in the industry's recovery from the mineworkers' strike but warned they were being promoted "at a particularly crucial stage – to continue the policies and ensure the viability of the industry."

Sir Robert will begin a six-month stint in harness with Mr MacGregor soon after the four men arrive on the board next month.

Sir Robert, deputy chairman, will also work closely with the other deputy chairman, Sir Kenneth Couzens, recruited to the coal industry last October.

Three of the new board members distinguished themselves in the NCB's year-long confrontation with the National Union of Mineworkers. Mr Moses and Mr Northard, as the directors of the NCB's North Derbyshire and Western areas respectively, were particularly successful in encouraging miners to defy their union by returning to work.

Mr Edwards, as marketing director, helped to ensure that coal from working collieries and from stockpiles reached customers.

Market for traded options to resume

BY ALEXANDER NICOLL

THE LONDON Stock Exchange's traded options market intends to open normally today after testing over the weekend the new computerised matching system which failed on Thursday. The failure prevented the market from opening on Friday.

Brokers with bargains struck on Thursday and still unprocessed were required to attend the exchange on Saturday morning. Apart from the usual small proportion of "out-trades" – deals for which two brokers' trading slips do not match – Thursday's business has now been cleared. This means traders will know their exact position and requirements to put up margin payments.

The matching system introduced on Thursday to cope with rising volume in the options market is to be used again today. It is designed to handle three times the recent peaks of over 30,000 contracts traded daily.

It is possible that Friday's closure will produce a surge in volume today, particularly as traders and investors attempt to position themselves ahead of Tuesday's budget. This may put renewed strain on the matching system, which consists of computer terminals on the exchange floor.

The exchange's difficulties in handling the increased volume have angered market participants and caused worries about its ability to cope with expanding securities business after October's Big Bang restructuring.

Options, introduced in London eight years ago, have only recently started to become an integral part of investor strategies. Amid the speculative takeover bid fever which has been gripping the stock market, options on shares such as Hanson Trust, Imperial Group and Lonrho have been particularly heavily traded, as well as options on the Financial Times-Stock Exchange 100 Index.

Friday's closure could have exposed jobbers and investors to large potential losses. Investors have been mainly buying call options, entitling them to buy shares at pre-set exercise prices.

Lloyd's seeks to reach PCW affair settlement

BY JOHN MOORE, CITY CORRESPONDENT

THE AUTHORITIES of the Lloyd's of London insurance market are attempting to reach a settlement within its community of the controversial PCW affair, in which 1,525 underwriting members have been hit by a series of irregularities and up to £250m in underwriting losses.

Mr Peter Miller, Lloyd's chairman and other top market officials, are understood to have held talks with numerous brokers in the market in an effort to resolve the matter.

Lloyd's is attempting to persuade the brokers and other intermediaries that some contribution from their own funds is needed in order to meet the losses of the underwriting members.

Lloyd's and a range of brokers and intermediaries have been warned by a steering group of over 300 of the underwriting members facing the largest losses that legal action will be started against them unless a settlement is reached.

The underwriting members are seeking a contribution from Minet Holdings, the insurance broker which owned the PCW underwriting agency where the troubles took place, and other brokers who participated in a range of business transactions for former managers of the PCW underwriting agency.

The stricken underwriting members, many of whom face personal bankruptcy because of the losses, which they claim are directly linked to a series of previous irregularities, argue that they should be helped by Lloyd's to meet their liabilities.

The most discussed possible settlement involves a possible payment by Lloyd'a itself, contributions from the brokers, and a participation by the 28,597 underwriting members who would pay for insurance cover to stop the losses rising further.

Cairo scheme 'could sustain 20,000 jobs'

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

WORK on the £2.5bn scheme to provide a new sewerage system for Cairo could sustain more than 20,000 jobs in the UK, mainly in areas of high unemployment, according to a report to be released today.

The Greater Cairo Wastewater Project is the world's largest public health engineering scheme. Its UK portion – providing new sewers and waste treatment plants for the city on the east bank of the Nile – is the largest current British construction project at home or overseas.

Work on the project, the report says, will lead to export orders for British manufactured goods worth more than £750m, with further exports of spares and services once the project is completed.

In a survey of contractors, subcontractors and suppliers, it found that 146 UK companies were already working on contracts connected with the wastewater scheme. Most of them were based in the high unemployment areas of the English Midlands and the north of England.

The report suggests that work for suppliers and subcontractors will sustain 9,500 jobs in the UK over the next five years. Work for the main construction contractors and consultants will sustain another 200 jobs in the UK and 520 for UK employees working in Egypt.

The Economic Benefits of the Greater Cairo Wastewater Project East Bank Scheme, £11.50, from British Wastewater, 14 Grosvenor Place, London SW1X 7HH.

John Griffiths looks at GM's involvement with a specialist sports car company

Lotus constructs a new future

A RESTRUCTURED board of Group Lotus of the UK is being given two years by General Motors, the US multinational, in *which to construct a new future* for the sports car and engineering company.

GM, which now owns 66 per cent of Lotus and is seeking total control, is understood to be prepared to provide virtually unlimited financial backing for any board proposals, provided they are considered to be commercial*ly realistic.*

The groundwork is being laid for a substantial expansion of all Lotus' activities to include:

- The early replacement of all Lotus' current range of cars;
- Substantial revisions to the X100, model the "cheap" (£11,000-£13,000) Toyota-powered *sports car, due to have been* shown at this autumn's UK motor show and which was to have entered production early next year at Lotus' Hethel, Norfolk, headquarters. The revisions mean an unspecified delay in the introduction of the car;
- Expansion of production for the new car ranges. Output of 10,000 cars a year – *perhaps more* – at Hethel is now considered a possibility in the context of GM's financial backing;
- Engine production: Lotus has a high reputation for its engine technology. Its current models use a Lotus-developed Ford unit. It has built prototype engines of *its own design, but previously* has lacked the finance to put them into production. Now, it is understood, Lotus expects to design and build engines for use in both its own models and in General Motors cars;
- Further expansion of the research, development and engineering business it undertakes *on contract for other manufac*turers, both in and outside the motor industry.

Mr Robert Eaton, GM's executive vice president for advanced engineering, made clear at the announcement of the £22.7m ($33m) agreed bid for Lotus by GM in January, that GM would operate a strictly "hands-off" policy towards the UK group. GM would thus allow Lotus to develop its own future and preserve the confidentiality of its contracts with other manufacturers.

As part of a *private* understanding, however, the US multinational and Lotus' new board have agreed that GM can exercise a right to change the management at the end of the two-year period if it considers Lotus' progress unsatisfactory.

Blossoming with no financial frost

EVEN THE most hardy Group Lotus executives have been known to cringe at one of the media's most overworked headline: "Lotus blos*soms.*"

It is not so much the pun which has set Mr Michael Kimberley, the chief executive and his colleagues' eyes rolling heavenwards. It is more that every time it has been trotted out in the 16 years since the Norfolk sports car and engineering concern went public, a financial frost has followed.

Lotus Esprit turbo: in optimistic hands

However, "if Lotus doesn't succeed now it will be because the board will have failed to deliver," says Mr Alan Curtis, *Lotus*'s deputy chairman and former Aston Martin chief. He is expected to assume the vacant chairmanship under a board restructuring now going on as a re*sult of Lotus ownership* passing to General Motors of the US.

While Mr Curtis would not comment at the weekend on the board's changes or the details of the strategy for Lotus's future, he acknowledged that he expects the compa*ny's growth not to be constrained* only by its abilities, not its finances.

At the same time he maintained that its development would be entirely in British hands. "The only GM directive to us has been to produce more cars, more technology *and more profit. GM will give us fi*nance and other support if asked, but no direction. It is entirely up to the board whose executive directors are all British and who will have no excuses. And as far as I'm concerned, nothing could be better."

The board's changes follow the departure of chairman Mr David Wickins, head of British Car Auctions and Mr Anthony Bamford of the JC Bamford Construction Equipment group. It was the sale of their combined 58 per cent holding in Lotus which has set GM on the road to full ownership.

It is expected that Mr Kimberley, who has steered Lotus around its various crises for many years, will remain as chief executive. Mr John Sandiford, another British board member, is expected to be finance director. The British troika will be backed by two appointees, as yet unnamed, who will have non-executive roles.

Currently Toyota, which retains a 21.48 per cent stake in Lotus, has one representative on the board. *Toyota is the last major obstacle to* GM obtaining 100 per cent control – no other individual shareholder has substantial equity – and has yet to indicate its willingness to accept GM's 129.5p a share offer.

However relations between Toyota – which signed a collaboration agreement with Lotus in 1980 – and the British board members have *been strained recently for several* reasons, of which the sale to GM was only the latest and largest.

It is now thought likely that Japan's largest vehicle *maker will* soon bow to the inevitable and dispose of its holding.

The prospect confronting Lotus under which, with GM's financial backing, it may become a closer rival to its much larger West German counterpart, Porsche, explains several developments which have puzzled motor industry observers.

In November, Mr Kimberley indicated that Lotus could be creating 1,700 more jobs within five years. At that time it employed only 650. He said the extra jobs would come from expanding further its contract engineering activities for other manufacturers and production of *the new X100 sports car at a rate* of 3,000 units a year. This is more than triple the annual output of its present cars.

Yet up to that point the company had never fully explained *how* it was funding the £7m plus costs of the X100. And Mr Kimberley also said Lotus might have to build it elsewhere than in Norfolk to take *advantage of any grant aid* schemes. This appeared odd for a project supposedly only 12 months from production.

The explanation, it seems, is that near the end of last year *Mr* Wickins and Mr Bamford had already concluded that, having put Lotus back on its financial feet – it made a £325,000 pre-tax profit in the first half of the current financial year after £458,000 for all of the 1984 financial year – they needed to attract much more substantial resources than they could provide if Lotus *was to realise its potential.*

A number of British interests were approached on the basis that Lotus really was capable of *fulfilling the future set out by Mr Kim*berley. These, however, were without result.

But GM and Chrysler were already Lotus's largest customers for research and development. And it was felt that either, if they would provide firm guarantees of *Lotus's* independence, could provide the answer. So it proved. Chrysler declined. But subsequent negotiations leading to GM's £22.7m agreed bid lasted two months and unlike GM's more controversial planned acquisition of *Land Rover and Leyland* Trucks were kept secret almost to the day of its announcement.

Some scepticism is still being aired about whether Lotus can retain its independence and in particular whether *rival* manufacturers would *shy away* from using *it* for engineering if wholly owned by GM. The issue was considered sufficiently serious for GM to provide written guarantees of independence from the highest board level well in advance of the deal.

As a result, said Mr Kimberley, no existing clients have expressed a wish to withdraw and the number of inquiries is increasing.

UK NEWS

Stakes in British Gas may be held to 15%

BY DOMINIC LAWSON

NO SINGLE shareholder will be allowed to hold more than 15 per cent of the equity of the British Gas Corporation after it is privatised, according to a draft of the articles of association of British Gas Plc.

This represents the Government's attempt to prevent British Gas from falling under the control or influence of foreign companies, particularly oil groups.

The articles also provide for a special "golden" share, which the Government will use only to ensure that the article limiting shareholdings to 15 per cent is not removed.

In the recent privatisation of Enterprise Oil, the former oil production arm of British Gas, the Government gave itself a golden share to prevent an unwanted takeover but made no specific limit on shareholdings. The result was that Rio Tinto Zinc subscribed for 49 per cent of the Enterprise share offer, to the considerable embarrassment of the Government.

If any company acquires more than 15 per cent of British Gas's equity, then the directors of British Gas can compulsorily acquire the voting rights of tha shares in question and sell in the market that part of the shareholding over the 15 per cent limit.

British Gas had wanted the limit on individual shareholdings to be lower than 15 per cent. It feared that a number of major oil companies, such as Shell, BP and Exxon, which all have large shares in other European gas utilities, could each take 15 per cent and gain effective control over British Gas.

The draft articles make clear that parties found to be acting in concert would see their individual shareholdings counted as one under the 15 per cent rule.

As a further safeguard of the company's independence, the articles provide that out of a minimum of four executive directors of the new company, no fewer than three – the chairman, the chief executive and another director – will not be required to submit themselves for re-election by an annual vote of shareholders.

A draft of the memorandum of association of British Gas Plc makes clear the freedom which is being given to British Gas to diversify into other forms of energy once it is in the private sector. The fourth paragraph of the memorandum says that the "company's objects are to carry on all the businesses of…natural and other gases, petroleum and other hydrocarbons, coal and other minerals, chemicals … and electricity."

The listing of electricity as an objective of the new company is likely to infuriate the Electricity Council, which has already expressed concern over the relatively minor point that British Gas Plc might sell electrical appliances through its showrooms. It will be even more concerned if British Gas is being encouraged to break into the main markets of an electricity industry still confined by Whitehall, with no access to funds from the private sector.

The National Gas Consumers' Council yesterday described the proposed authorisation for a privatised British Gas as "vague and inadequate." The authorisation is British Gas's licence to supply and lays down in detail what the company can and cannot do after privatisation. Unlike the Gas Bill, it is not subject to debate in parliament.

The NGCC is urging the Government to strengthen the authorisation control over British Gas's future activities in a number of areas, including disconnections, standards of service, special services for the disabled and elderly and energy efficiency.

CBI sees shift in Labour's attitude towards industrial law

BY HAZEL DUFFY

THE CONFEDERATION of British Industry, the employers group, believes there has been a perceptible shift in attitudes by the Trades Union Congress (TUC) and the Labour Party on the role of the law in industrial relations.

Commenting today in its Employment Affairs report, ahead of the conference to be held by the TUC on Wednesday on industrial relations legislation, the CBI says: "In discussing positive rights, the Labour Party and the TUC have explicitly recognised that trade union members' attitudes to industrial relations law are largely positive. Both recognise that there is now an expectation that ballots will be held before strikes."

The dispute at Wapping, London, where Mr Rupert Murdoch, chairman of News International, has sacked several thousand printers who went on strike, has proved to be a catalyst for a renewed debate on whether or not industrial relations law should be framed in terms of positive rights.

It believes that Wapping has also confirmed the role of the law on the regulation of picketing, enshrined in the 1980 Employment Act. No matter how well intentioned a trade union might be – and the "sincerity and moderation of the Sogat '82 leadership" seems not to be in doubt – "if mass picketing takes place it is impossible to guarantee that violence and intimidation will not result." Sogat '82 is the biggest print union.

The CBI is cautious about whether or not further trade union legislation is needed. While not rejecting that "sensible changes" might be achieved through legislation, it admits that there is not much enthusiasm among many of its members who prefer, for the moment, to digest the results of recent legislation.

This was reflected in the voting down of a resolution proposing more laws which was put to the last annual CBI conference in Harrogate.

The TUC conference this week is part of the consultative process aimed at drawing up a policy on industrial relations legislation in place of the present laws which are regarded as restrictive by the trade unions. The issue will be debated at the TUC's autumn congress.

London's tallest offices planned

By Michael Cassell, Property Correspondent

PLANS to develop London's tallest office tower, on the eastern edge of the City, have been submitted to the borough of Tower Hamlets. The development, which could cost up to £250m, would rise to 850ft, overshadowing every other building in the City.

There is provision for 1.4m sq ft of floorspace on sixty floors. The top of the glass-clad building would house an atrium and restaurant and there would be shopping facilities and exhibition space in the lower part of the tower.

The proposals, drawn up by Ian Ritchie Architects, involve a 4.6 acre site close to Whitechapel Art Gallery, just beyond the City of London boundary. The project is being devised on behalf of Roy Manufacturing, a textile and fashion company run by Mr Roy Sandhu and located on part of the site.

No funding details have been disclosed but a spokesman for Roy Manufacturing said that finance is "already assured". The scheme would take about five years to complete, once planning permission was obtained. The developers are offering Tower Hamlets around £21m of amenities, including new and refurbished housing and open spaces.

Tower Hamlets is Labour controlled but has been generally supportive of new office development, anxious to benefit from the demand for accomodation which has spilled over from the City. The outline planning application was submitted last month.

The proposals come at a time when plans to build up to 10m sq ft of office space have already been put forward for Canary Wharf in nearby Docklands. Until recently, suggestions for office development to the east of the City have rarely materialised, but the need to provide the type of office accommodation demanded by the financial services sector has increased the likelihood that some development will take place.

● Only one new hotel was being built in central London during the second half of last year, the English Tourist Board reveals in its latest survey, and blames restrictive planning policies.

Belfast's battle for jobs

THOUSANDS of jobs are at stake in Northern Ireland's two largest employers, Harland and Wolff Shipyard and Short Bros aerospace company. Both are fighting for vital orders amid political turmoil which has involved their workers and attracted international interest.

The state-owned shipyard, especially, is worried about the effect of the recent political strike by Ulster loyalists. By the end of the month the Ministry of Defence will decide whether Belfast or Swan Hunter on the Tyne, north-east England, is to build the first pair of six fleet replenishment ships known as AORs (auxiliary oiler replenishment vessels) for the Royal Navy, a contract worth more than £200m.

Mr John Parker, Harland and Wolff's chairman, believes he can beat Swan Hunter on technical and commercial grounds in this competitive tender. His fear is that the loyalists' "day of action" will distort the perception of his company's industrial relations record.

He said: "We totally condemned the call for a political strike. We don't want any stain on our record because we know it is unmatched by any of our competitors in UK shipbuilding."

The strike, on March 3, was the first full day's lost production across the labour force since the Ulster workers' strike in May 1974.

Harland and Wolff and Short Bros, the biggest employers in Northern Ireland, are fighting for vital orders against a background of political turmoil, reports our Belfast correspondent.

"During the past 10 years we have lost only 0.15 per cent of our man hours through any form of dispute," he said. "How many UK yards can guarantee industrial relations stability like that? Our rivals, Swan Hunter, had an eight-week stoppage last autumn."

Mr Parker's case is helped by a current pay dispute in the Tyneside yard which has led to a half-day strike and an overtime ban.

The future of Harland and Wolff depends heavily on winning the navy order. Not only is it crucial to the policy of broadening the company's product range, but without the work, the 5,000 labour force would face a savage reduction from 1987. The six AORs would occupy 2,000 employees for about four years.

It is also important for the wider Northern Ireland economy. The shipyard gives business to 150 local firms. It employs 5.5 per cent of the manufacturing workforce, a percentage equivalent to twice the number employed in British Steel and British Leyland on the UK mainland.

Harland and Wolff believes the strength of its bid is that it comes from a consortium with a wide geographic spread in the UK. About 70 per cent of the value lies with private sector associates and suppliers in Britain.

The consortium includes Yarrow Shipbuilders of Glasgow which, like Swan Hunter, was recently privatised. Yarrow was chosen for its experience in Type 23 frigate weapon systems, similar to those specified for the AORs.

The group is joined by Yard, also of Glasgow, which is Britain's leading warship design consultant, and by Racal Marine of New Malden, London, which is working with Yarrow on the weapons systems.

Mr Parker resents accusations that he can offer a lower price because of a government subsidy. On the contrary, he says, his bid was subject to a government-sponsored audit to ensure it was fully profitable.

Ulster Unionist opposition to the Anglo-Irish agreement has also meant that Harland and Wolff has had to lobby at Westminster without the support of local MPs, who are largely absent from the House of Commons.

Next door to the shipyard, in the predominantly protestant East Belfast, Short Bros has warned that a significant decline in productivity threatens the future of a sizeable but unspecified section of its 8,500 labour force.

The company finds it difficult to pinpoint the exact causes of the decline but puts some of the blame on external issues which are causing unrest among workers, including "political change" and the sectarian sniping that accompanies its efforts to ensure fair employment opportunities for Catholics.

Sir Philip Foreman, the chairman, says the company is not moving fast enough to keep pace with a batch of new competitors which have moved into the market in which the company sells 33 and 36-seat commuter aircraft.

Shorts has had one of its best years for aircraft sales but activity will decrease after the recent completion of 18 aircraft for the US Air Force.

House prices go against the trend as inflation lessens

BY FIONA THOMPSON

THE AVERAGE price of a cup of tea, a standard haircut and 100 aspirins, has quadrupled in the past 10 years while the cost of a 22-inch colour television set has dropped by £2.

The money needed to buy a three bedroom semi-detached house and a Rover 3,500 car has tripled and a game of Monopoly or a kipper is double the 1976 rate. Against this, average weekly earnings have risen threefold from £54 in 1975 to £171 last year.

Reward Regional Surveys, in its cost of Living Report, published today says the news is good on the inflation front. From field research carried out in late January, the report says shop prices have increased in the last six months by only 1.7 per cent, giving an annual rise of 5 per cent – unchanged from the January 1985 figure.

The annual rate in April will be close to 4 per cent, the report predicts, and by mid-summer should be around 3.7 per cent, provided tomorrow's budget does not raise indirect taxes any more than last year.

Going against the trend are house prices which show an annual rise of 10.3 per cent. The national average for a three bedroom semi detached is £35,900.

The figure for the South East is £46,375, a 15 per cent increase on a year ago, highlighting the wedge that soaring house prices in the South East are driving between it and the rest of the country and the problem facing companies wishing to relocate employees to the South East and London.

The three bedroom semi-detached house that cost £26,700 in the East Midlands, a rise of 7 per cent, jumps to £63,425 in the Greater London area, up 16 per cent.

For a four bedroom detached house the differences are even more marked. In the East Midlands the cost is £49,000, a rise of just 4 per cent on a year ago, compared with the figure for the South East of £74,525 (up 15 per cent) and the Greater London rate of £97,325, an annual increase of 19 per cent.

The cost of living, including housing costs, is rising fastest in the South East (11 per cent) followed by Wales and the South West, (8 per cent, and the West Midlands and Yorkshire/Humberside (7 per cent).

Cost of Living Report, Regional Comparisons, March 1986. Available from Reward Regional Surveys, Reward House, 1 Mill Street, Stone, Staffs, ST15 8BA £40.

Sunday trade 'needs 350,000 workers'

By Walter Ellis

THE number of people working on Sundays will rise by 4 per cent if the Shops Bill becomes law, according to estimates by the independent Family Policy Studies Centre (FPSC).

At present, 8.8m people work on Sundays in all sectors. The FPSC argues that, if half the shops in the UK were to open on Sundays – the probable proportion for which it would be profitable if wages were at the usual rate of double-time – a further 350,000 workers would be needed.

At least 156,000 married women would be involved, 94,300 of whom have children under the age of 16.

Mr Malcom Wicks, director of the centre, writes in a paper published today: "The family Sunday might never be the same again for one child in 25. Almost a quarter of a million children would have a mother or father at work in a shop."

ARE YOU AT RISK FROM AIDS?

AIDS is a serious disease. Not all the information available has been entirely accurate, so many people are confused about who is at risk, how the disease is spread and how dangerous it is.

To explain the facts entirely, it is necessary to describe certain sexual practices. These may shock but should not offend you as we are talking about an urgent medical problem.

Please read this carefully. It is up-to-date and authoritative. It is only by knowing the true facts about AIDS that we can hope to control the spread of this disease. This requires an effort by all of us.

DR. DONALD ACHESON DR. G. CROMPTON

DR. IAIN S. MACDONALD DR. R. J. WEIR

CHIEF MEDICAL OFFICERS TO THE HEALTH DEPARTMENTS OF THE UNITED KINGDOM

WHAT IS AIDS?

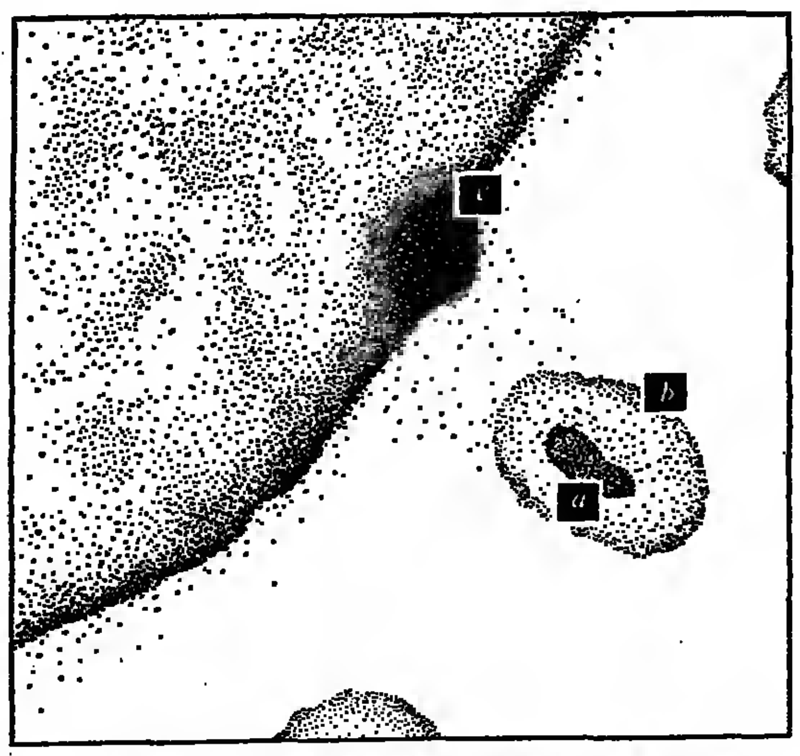
AIDS stands for Acquired Immune Deficiency Syndrome.

It is caused by a virus that attacks the body's natural defence system.

This is why some people who have the virus can fall prey to infections and other illnesses which rarely trouble healthy people.

Not everyone who carries the virus develops AIDS. But, anyone who has the virus can pass it on.

At present there is neither a vaccine to prevent people catching the virus nor a cure for those who develop AIDS.



a. AIDS nucleoid containing the biological message to cause damage. b. Lipid membrane (very fragile). Packages virus and allows movement between cells. c. T helper cell/white cell.

IS AIDS SPREAD THROUGH NORMAL CONTACT WITH OTHER PEOPLE?

AIDS is caused by a virus which is spread by having sex with an infected person or by injection of contaminated blood.

So normal social contact with a person who carries the virus such as shaking hands, hugging and social kissing carries no risk. Nor does being at school or at work with infected people.

DOES AIDS ONLY AFFECT HOMOSEXUALS?

NO.

IS AIDS SPREAD BY OBJECTS TOUCHED BY INFECTED PEOPLE?

No-one has ever become infected from toilet seats, door knobs, clothes, towels, swimming pools, food, cups, cutlery or glasses.

ARE BLOOD TRANSFUSIONS SAFE?

Before the virus was discovered, there was a very small risk from blood transfusions. Now all blood donations are screened for the infection. Any blood found to be infected is rejected.

The process of giving blood is not and never has been risky. All the equipment at blood donation centres is sterile and used once only.

HOW IS AIDS SPREAD?

In two ways.

- The virus spreads mostly through sexual intercourse with an infected person.
- It is also spread if an infected person's blood gets into someone else's blood. The major risk of this happening is to drug users who share needles or other equipment.
- Babies of infected mothers are also at risk, in the womb, during birth, or from breast milk.

HOW DO YOU KNOW IF YOU ARE AT RISK?

Injecting drug users are at risk if they share needles or other equipment. By far the best solution is not to inject at all. Those who persist, should not share equipment.

However, the major risk of infection is through sex.

The more sexual partners someone has the more likely they are to have sex with an infected person.

Cutting down on casual relationships cuts down the risk.

The next line of defence is to know what is safe sexual practice and what is not.

WHAT IS SAFE SEX?

- Any sex between two people who are uninfected is completely safe.
- Hugging, squeezing and feeling are all safe with anyone.

WHAT IS RISKY SEX?

- Sexual intercourse with an infected person is risky.
- Using a sheath reduces the risk of AIDS and other diseases.
- Rectal sex involves the highest risk **and should be avoided.**
- Any act that damages the penis, vagina, anus or mouth is dangerous, particularly if it causes bleeding.
- Intimate kissing with an infected person may be risky.

WHAT OF THE FUTURE?

Doctors and scientists around the world are searching urgently for a vaccine or cure.

No-one can predict when this might be found, but it is almost certain it will take some time yet.

But AIDS can be controlled by reducing the spread of infection.

These facts show how it can be done.

MORE INFORMATION

For the booklet on AIDS, containing more detailed information and advice, write to Dept A, P.O. Box 100, Milton Keynes MK1 1TX.

Or call in strict confidence

THE HEALTHLINE TELEPHONE SERVICE: 01-981 2717, 01-980 7222 or 0345 581151.

If you are calling from outside London, use the *0345* number and you will be charged at local rates.

DON'T AID AIDS

ISSUED BY THE DEPARTMENT OF HEALTH AND SOCIAL SECURITY

THE WEEK IN THE COURTS

The politics of shock-horror in criminal justice and punishment

SOME worrying aspects associated with the prosecution and sentencing of rape offenders were pinpointed this week and it is appropriate to ask what the public expectation is of the measures taken by government, parliament and the courts to control crime.

It is frequently asserted that *criminal justice and penal policy*, including the sentences passed by the *criminal courts*, reflect what the public wants and what the public is entitled to expect. If at any time they do not reflect public demands, then so it is argued, adjustments have to be made to bring policy and practice into line with public opinion.

In a period when law and order has become politically partisan—as it has been since 1979 when consensus over criminal justice was deliberately abandoned—there are grounds for thinking that government may be responding, at least outwardly and cosmetically, to the contemporary dictates of public opinion as it is being portrayed in the mass media.

Criminal justice policy and its implementation has not been primarily influenced by public attitudes, always assuming, of course, that policy-makers are able accurately to measure public attitudes. While public opinion cannot, and never has been ignored, it has never been systematically elicited; it has not been constantly monitored; and, to the extent that it has been taken into account, it has been given effect to in no consistent manner.

The plain fact is that it has been political *perceptions* of the public mood in relation to crime and punishment that have exerted a far greater influence on policy than public opinion itself.

Little is known about the public attitude to crime and the treatment of offenders. The perceived public opinion is, however, not matched by the actual public opinion. Speaking generally, the average, tolerant citizen is much less punitive than some parts of the press and some politicians would have us believe. Pronouncements on the subject of public opinion are in fact unsupported by any reliable evidence.

In recent years there have been three studies relevant to the issue of public attitudes to crime—a Home Office study in the mid-60s (published only in 1975) and the British Crime Surveys of 1982 and 1984.

The Home Office study included a poll on the causes of crime, ways of reducing crime, the relative seriousness of various offences, sentencing policy, the characteristics of habitual offenders, the courts, prisons and prisoners, self-reported crime and victims of crime.

Respondents were asked which of seven statements they thought described the main purposes of sentencing. More than 90 per cent of the sample chose four statements: to make the criminal pay what he could afford for any loss of property or damage he had caused; to make him pay what he could for the suffering or loss of earnings he had caused as a result of injuring people; to put offenders off committing crimes again, and to reform offenders ("make them go straight") by helping them and teaching them how to lead an honest life.

The Government is clearly stepping back from measures contemplated earlier

The remaining three statements, which approximated to the notions of deterrence, retribution and loss of liberty, were much less frequently cited, and were rejected outright by up to 20 per cent of the sample.

The Home Office Crime Survey of 1982 included a limited number of questions detailing the attitudes of victims of crime towards the sentencing of offenders. The authors wrote: "Criminal justice policy might also take account of the fact that people are less punitive towards law-breakers than is usually imagined. Asked how 'their' offenders should be treated, victims showed awareness of, and support for, court sentences involving community service and compensation, and frequently favoured informal warnings and reparation."

The more recent study, *Taking Account of Crime: Key Findings from the 1984 British Crime Survey*, concluded: "Neither the attitudes of victims towards punishment nor those of the general public suggested that current sentencing practice is out of step with public opinion.

"People supported a variety of alternatives to custodial sentences for non-violent offenders, including community service and the payment of compensation."

The survey further suggested that people were ill-informed about sentencing practice, most of the sample, for example, underestimating the proportion of convicted adult burglars sent to prison.

Seen against this background, the proposals contained in the Government's white paper for a forthcoming Criminal Justice Bill are for the most part the product of rational thinking and sensible practical provisions, while not being insensitive to perceived public demands.

Two examples suffice. In the Prosecution of Offences Bill (which became an act in 1985) the Government included a proposal for the review by the Court of Appeal of lenient sentences. That fell foul of opinion in the House of Lords and was dropped from the legislation. The original proposal did not envisage any power to alter upwards the length of any inadequate sentence, but provided merely an opportunity for the appeal judges to declare the inadequacy of a sentence.

In the recent white paper, the Government considered going further, by conferring additionally on the Court of Appeal the power to increase the sentence passed in a particular case referred to it by the Attorney-General. In the event the Government has preferred a milder option of giving statutory form to the Judicial Studies Board's function of publishing the Court of Appeal's sentencing guidelines and arranging for it to do so in a more coherent and accesible form.

The second example centres on a proposal by the Government of a primarily punitive, semi-custodial sentence, involving detention for only part of the day or part of the week, as a further alternative to full custody.

Informed opinion expressed the view that such intermittent or weekend imprisonment was more likely to replace non-custodial measures rather than full custody, and thus add to and not subtract from, the numbers of persons sent to prison. The Government has abandoned the idea.

The Drug Trafficking Offences Bill, now before parliament, seeks to enact a widespread view that the law must do a great deal more to recover the profits of crime. The bill, whose provisions may be extended in future legislation beyond drug-dealing to other areas of criminal activity, has some worrying features in it that go way beyond what was recommended by a broadly-based, independent committee under the chairmanship of Mr Justice Hodgson.

The bill was described in this column a few months ago as "fearsome" in some of its provisions. On second reading of the bill in January Mr David Mellor, the junior minister at the Home Office, discounted this columnist's strictures of the legislation, but in doing so misquoted, by referring to the author's description of the bill as "ferocious."

The average citizen is far less punitive than some papers lead us to believe

The bill, which comes to the House of Lords on Wednesday, is at present unacceptably appalling in parts.

Mr Douglas Hurd, the Home Secretary, is clearly stepping back from the more punitive measures that his predecessor had been contemplating.

His approach to opposition to the Drug Trafficking Offences Bill, and its implications for future legislation to make offenders disgorge the ill-gotten gains of crime, will be the test of whether there is to be a return to a consensus in *criminal justice policy*, or whether the issue of law and order is to remain high on the agenda of party politics.

Justinian

Alfa Romeo takes the 'Tramontana cure'

Alan Friedman on the Italian motor group's survival strategy

THE NEXT few days could be crucial for the future of Alfa Romeo, the *Italian state-owned* car maker which is Italy's aecond largest after Fiat. The reason is that the troubled Alfa is waiting to see how trade unions respond to a request from Guiseppe Tramontaoa, the oewly appolnted Alfa managing director, for 980 blue-collar and 860 white-collar reduodancies—immediately.

This mova forms part of a *radical* plan to *resurrect* the troubled car maker — a plan which envisages a much more *efficient use of* production capacity, linkages with other manufacturers around the world, and a bold marketing programme.

Tramontana's proposals to the unions are not the way things are normally done in Italian Industry, but then he is a most unusual manager and Alfa Romeo, despite the lustre attacbed to its name, is in grave crisis. How else would you describe a company with a negative net worth whicb last year suffered a more than doubled loss of L240bn ($152m); the *13th* year of consecutive losses which, since 1973, total L1,244bn ($807m); a company *which last year* was able to utilise only 36.7 per cent of its productive capacity of *430,000* cars a year; *whicb* employed only 24,000 of the 33,834 workers on its books; and wbich has a global indebtedness of L1,280bn ($831m)?

Things are bad indeed at Alfa Romeo, which is controlled by the IRI state holding group. Its joint venture with Nissan of Japan to produce the downmarket Arna model has proved a failure. Its loss-making UK operation is being transferred largely to TKM, the international trading group. Heavy losses in South Africa led last autumn to a pull out from that market. At bome in Italy Alfa's share last year slipped from 7.3 to 6.5 per cent of the market, falling from fourth to sixth place after Fiat, Renault, Lancia, Volkswagen and Peugeot-Citroen. Sales outside of Italy slumped to the lowest level since 1973, declining by 22 per cent in one year.

As for the management of Alfa Romeo, it simply bad no managing director for eight months last year and in financial and industrial terms it is a mess. That is why Professor Romano Prodi, the London School of Economics-educated chairman of IRI, chose Tramontana to take on the cballenge at Alfa, a challenge wbicb Lee Iacocca of Chrysler said would take five years of hard *labour* to meet.

Tramontana is the 46-year-old ex-cbief from Montefibre, the Montedison man-made fibres subsidiary whicb he turned around in *five years*. He is undoubtedly one of Italy's tougbest managers and fortunately ia *more interested* in beiog a company doctor tban in the quagmire of politickiug which ls all too frequent in Italian state industry.

Salvation

Tramontana faces the challenge of his life at Alfa, and haa been working non-stop since his appointment five months ago to prepare a radical strategy for the salvation and re-launch of the company. It is a five-year plan which touches on every area of the group—from senior managemeot to manual labour, from sales and advertising to sub-contracting aod material acquisitions and to tbe need for interoational joint ventures which can make use of part of the 63.3 per cent of Alfa manufacturing capacity whlcb today lies dormant.

Even if the plan is made to work (which depends on numeroua uncertainties including the co-operalion of hostile trade unions), tbe Alfa Romeo group would still, under the best of assumptions, be losing L50bn to L100bn a year by 1988-89. With every possible measure succeeding, Alfa would still not be out of financial danger before 1990.

The strategy for an Alfa revival, which in Italy is being called the "Tramontana Cure," has begun at the upper reacbes of the company's management and thus can be considered a "top-down" approach. At the start of tbis year Tramontana saw to *it* that more than 70 of the group's 400 senior executives left. It would be impolite to say they were sacked, but that is tbe net result. More beads, about a dozen, are expected to roll shortly.

Part of the reason for the management purge was that Italian state industry is awash with executives wbo have aecured their appointment because of their political party affiliation, regardless of capability.

What is the "Tramontana cure" for Alfa? Following the top-level *stage*, already implemented, the initial pbase would run aomething like this:

- Reduce *duplication* among administrative white-collar employees by placing 860 on state-subsidised *lay-off*.
- Reduce duplication between the Naples and Milan factories by placing 980 manual labourers on state lay-off. Later thia year up to 500 workers would be rehired in different parts of the factory to achieve better efficiency.
- *Cut* through layers of bureaucracy in the purchase of materials from suppliers and *throw open* to *free market com*petition both advertising contracts and sub-contracting orders.
- Declare the Nissan-Alfa Arna a failure (sales were so poor *that initial* production of *31,066* cars *in* 1984 was last year cot to 10,635) and use Arna capacity for a new Alfa-Nissan fonr-wheel drive cross-country vehicle instead. The failure resulted from Alfa not being geared to go down market, not baving, for example, a cost structure to produce a car like the Arna.
- Destock in a burry via special promotions (there are 7,000 cars in Alfa warebouses remaining to be moved).
- Introdnce variations on models such aa turbo engines or diesels which do not require large new capital investments.
- Lay the groundwork for the introduclion of more factory automation, especially via flexible manufacturing systems (FMS).
- Step up marketing and advertising in Italy, the rest of Europe and the United States. Budget for a production and sales increase of 10 to 15 per cent over the next three years. The Idea is to aim for a truly upmarket clientele.

These are the steps on which Tramontana appears to be concentrating in the next three to six months. Then comes the hard part. Break-even for Alfa would mean not only reaching an In-bouse production of around 240,000, but would also *require a series of joint* venturea which would add at least another 100,000 high profit *margin* quality cars. Last year'a production was 157,600. That means either abutting down one of Alfa's two main plants or seeking two or three international ventures with other car makers to utilise apare capacity.

One Alfa executive summed up *the situation* this way: "The only logical solution would be to close a plant and concentrate production at whichever we decide is more modern. That makes business sense, but it ls *impossible*. There *is* no way we could sack 16,000 workers at our northern Italy plant or 13,000 *in the south*. We must face political realities."

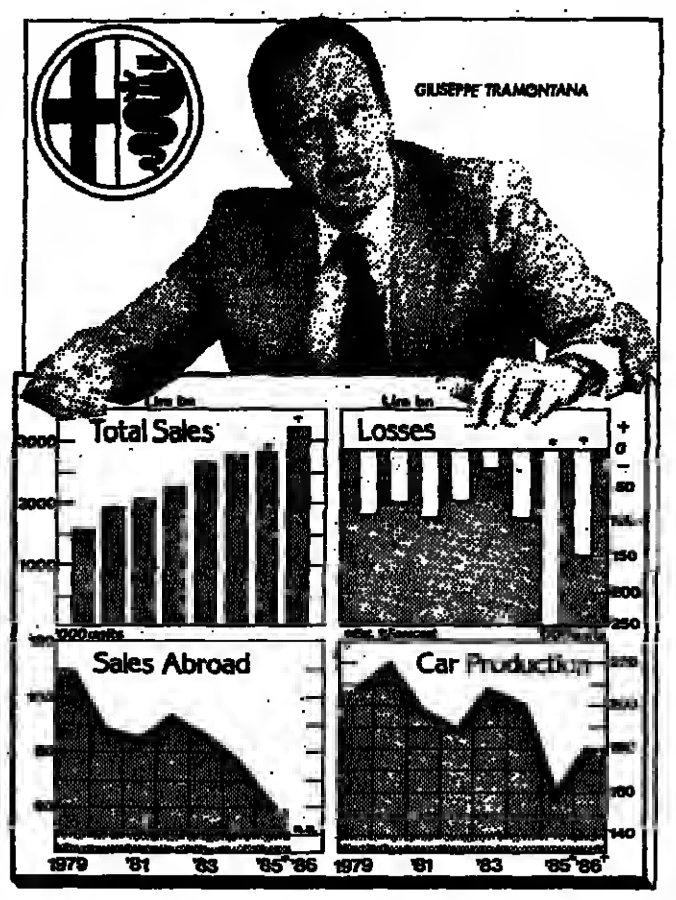
The answer, for Tramontana, is to travel the world, from Europe to Tokyo to Detroit, in search of joint venture agreements which can be negotiated by the end of this year and become effective by 1990. The *idea* is not merely to utilise spare capacity, but to construct ventures on the basis of other criteria; a joint venture partner will need to make a financial investment (as will Alfa), excbange technology (Alfa *has* a number of product plans which bave never been commercialised) and join Alfa on international marketing.

The goal is to reacb break-*even* production by 1990 through cost savings outlined above, improved marketing and *financial restructuring* (the L1,280bn dabt issue needs to be addressed). If all of this goes *as planned* (a big if) the idea would be to have two or three joint ventures functioning by 1990.

Even with this strategy Tramontana faces a generally *difficult European* market where its main competitors are taking similar action — particularly *in* forging links with others in the industry — to steel themselves for the cballenges *that will* be *posed by over*capacity at the beginning of the 1990s.

Among the many variables which Alfa Romeo also faces is the backing of IRI-Finmeccanica, the atate bolding group. In particular it seems that Alfa will need as mucb as lire 1,000bn of fresb capital over the 1986-1990 period, if its recovery plan is to be effective. That is a lot of money and will require political approval from Rome, no easy thing.

The next few days will be crucial because the co-operation of trade unions is essential for Tramontana's strategy. He seems ready, though, to forge abead witb net redundancles of 1,340 people whether the unions agree or not.



How people are forgotten in technological change

BY NICK GARNETT

ARE BRITISH engineering companies which invest millions of pounds in flexible manufacturing systems (FMS), or less sophisticated computer numerically controlled (CNC) machinery, failing to grapple with the human repercussions of such change on the shop-floor? Do personnel managers and industrial relations specialists get pushed aside when decisions are taken?

The example of one large electronics company in the North which has spent several million pounds on FMS in the past two years but is still bogged down in arguments about who does what on the production line indicates that the answer to both questions might be yes.

A study by Sheffield University's Social and Applied Psychology Unit, which has looked at 20 companies introducing advanced manufacturing, shows that the experience of the electronics company is far from unusual.

To be fair to the company in question — which has a long record of manufacturing *innovation* — it now recognises where it went wrong and is battling to put some sense into *the way its men and work are* organised. The problems it has helped to generate for itself *so far*, though, include rows between different departments, an inter-union squabble and demarcation arguments between management and the main shopfloor union. Some of these tensions have been bubbling for over a year.

Two main issues are underlined in the Sheffield University study "Information technology: personnel where are you?"* By Chris Clegg and Nigel Kemp. One is that companies need to think hard about the organisation of work and people during the design of an FMS. The other more specific point is that the question of who will have most control over programming —a programming team or the machine operators—needs to be addressed right from the start, but very often is not.

In the case of the electronics company the introduction of flexible manufacturing was totally controlled by technical specialists — electrical and mechanical engineering and hardware and software people under an engineering-oriented project manager.

This was sensible in the early stages but even as the project team began to master the new technology it continued to exclude other people. Line managers, personnel and IR specialists had virtually no input and there was none at *all* from shopfloor supervisors or shop stewards.

The technical team was not being bloody-minded but simply recognised no legitimate role for personnel. Technical design absorbed nine tenths of decision making time and "human" issues such as the role of the machine operator and training were examined only after the first version of the system was up and running.

Some early technical decisions went as far as bog-tying the personnel department. Centralising computer terminals in a single control room encouraged the view that the system would be controlled by production planners and supervisors with little thought given to the machine operators' responsibilities.

Quarrels

One result of this dearth of discussion and consultation was that engineers and systems experts worked towards deskilling and constraining the role of machine operators while the training department and the principal union convenor assumed and worked towards the opposite.

This spilled over into rows over job grading and quarrels between unions representing direct and indirect production workers. A year after the first *pieces of the FMS* were introduced demarcation disputes between engineers and machine operators, and between machine operators and programmers over who does *routine edits of programme* tapes remain unresolved.

Clegg and Kemp cite the examples of two northern aerospace engineering companies to show that real choices exist in organising people when advanced CNC manufacturing is introduced.

One company believes its technology needs managing by experts. A specialist group of machine setters has been introduced, together with a separate tool setting team and large department of programmers. These programmers prepare the tapes and edit them. Machine operators have no access to the tapes and are in essence machine minders.

The other, smaller company places most responsibility on the shoulders of machine operators adopting the view that they should solve problems as they arise. Self supervision and flexibility are the watchwords with the machine operator doing his own machine setting and most of his own tool setting. *This company* uses a small number of programmers but the machine operator proves the programs, makes corrections or changes to them and in many cases *writes* his own programs, sometimes in co-operation with programmers.

Some of these operating differences result from the varying size of the two companies but the study points to a balance sheet of benefits and disadvantages.

In the first example, the company is burdened by high indirect costs, relatively low motivation and poor machine utilisation since someone off the shopfloor must attend to every hiccup and headaches in co-ordinating different sections. On the other hand direct labour and training costs are relatively low and specialists tend to maintain tighter operating disciplines than machine operators.

In the second case, direct labour and training costs are high, management runs the risk of alienating indirect employees, and operating disciplines might be looser. But indirect costs are relatively low, machine utilisation better and motivation of operators high with a spin-off in quality improvements.

The study's authors say companies should closely examine these factors when introducing an FMS rather than drifting into a way of managing a system more or less *by default*.

Though there is choice, a strong undercurrent in the study is that the performance of machine operators is crucial and that more companies should look at making their shopfloor role as broad as possible.

* *To be published this year in the Institute of Personnel Management magazine.*

THE ARTS

Architecture/Colin Amery

Gallery runners-up on show

The proposal by one of the runners up in the recent National Gallery selection —Harry Cobb of the American firm I.M.Pei.

A certain degree of public curiosity can be satisfied in London at London's newest architectural gallery, The 9H Gallery (26 Cramer Street, London, W1 —open afternoons 12.30 pm to 4.30 pm on weekdays, 2 pm to 5 pm at weekends) where the finalists for the National Gallery selection process are on show until April 18.

There are five schemes to be seen: Henry Cobb of I. M. Pei and Partners; Colquhoun and Miller; Jeremy Dixon/BDP; Piers Gough of CZWG; and James Stirling, Michael Wilford Associates.

It seems to be a useful and public spirited exercise by this enterprising small private gallery to mount this exhibit. The architects agreed to act in concert and show their schemes in the same detail as they were submitted to the selection panel. The winning scheme, by the leading American architect Robert Venturi is not included in the exhibition; it will not be displayed until all the final details are resolved.

The display, which is clear and illuminating, makes an important contribution to the current architectural debate. It also shows the interesting range of interpretations of the preliminary brief — something that is of considerable significance as the judging for the large Grand Buildings site on the opposite corner of Trafalgar Square has now reached its final stage.

The developers for this extremely prominent and important site have to choose between three final schemes after a large scale competition. With the winning Robert Venturi scheme for the Gallery's Hampton site and the new Grand Buildings winning scheme, London stands to gain two very significant examples of late twentieth century architecture. They are both the product of exhaustive selection processes, and represent a most welcome return of enlightened private patronage.

Yet another scheme for the Trafalgar Square area of the capital was recently unveiled. Developers Greycoat Estates have commissioned the post-modern architect Terry Farrell to produce a scheme for the redevelopment of Charing Cross Station area. Mr Farrell has produced a set of highly intelligent proposals that will make commercial as well as architectural sense.

He has the capacity to respond to what he calls "the grain" of an area. His proposals are contextual; they respect the immediate area and respond to the surrounding architecture. What is less confidently handled are the design details of his new buildings—I suspect that his office needs to look beyond the visual elements of primitive, and often derivative variety of, angular post-modernism.

Across the river the whole of the concrete wasteland of the South Bank is to receive the post-modernising touch of Mr Farrell once the South Bank Board sort out their priorities. This means a redevelopment of London on a scale not seen since the Festival of Britain—something to watch and to enjoy.

*

At the RIBA Heinz Gallery in Portman Square, London W1, *there is an important small exhibition* of drawings, *Eight Contemporary German Architects*. These represent the current mood in Germany, a country that has developed its own kind of flattened geometry now known as European rationalism.

It is one of those barometer exhibitions that tells you the current climate. It is worth dipping a toe into, but has less vitality and energy than I had expected. Perhaps the drawing of the ceiling of Stuttgart Opera House says it all. Designed by Gottfried Bohm, it has in it the seeds of the return to formalism that we see spreading through the younger generation on show in London.

*

My colleague Gillian Darley reports from Frankfurt that the catalogue of the recent show held there at the new architectural museum, *Die Architekturzeichnung*, is one of the richest sources of visual pleasure to be had in architectural *drawings from Baroque South German masters* to the late 20th century. Published by Prestel-Verlag, it is available for less than £10.

The Threepenny Opera/Olivier

Michael Coveney

The first thing director Peter Wood does in this lavish revival of Brecht and Weill's 1928 smash hit is to relieve the Soho narrator from his "Mack the Knife" song. Basil Henson stands aloof after his announcement of a show so splendid only beggars could conceive of it while Barry James delivers the famous item like a Dickensian guttersnipe.

For all its worthy pretensions, this work has never been anything except a bourgeois spectacle and Mr Wood and his National Theatre company respond by laying on a mid-19th century extravaganza timed to coincide with the accession of Queen Victoria, a neat and coherent dramatic ploy which allows the regal proclamation that saves Macheath from the gallows to carry full force as an act of social patronage. A member of the Household Cavalry is wheeled on astride a giant rocking horse, and a grinning Mack steps down to join the poverty-is-good-for-you singalong.

The idea smacks characteristically of Robert David MacDonald, the Glasgow Citizens' house dramaturg whose fine new translation inserts wit into the lyrics and healthy filth into the dialogue. But Timothy O'Brien's design takes the idea further on to present dream-like floating cityscape of spires and cupolas, a dappled starlit sky and an intermittent atmosphere of the London of Wren and Hawksmoor invaded by the Hogarthian denizens of John Gay's original *Beggar's Opera*.

That ballad opera incidentally, whose success made Gay rich and Rich (his producer) gay, is the most over-estimated masterpiece of dramatic literature, and having done it in the Cottesloe, incorporated it into Ayckbourn's *A Chorus of Disapproval* and now let Mr Wood lose on Weill's musical update, I hope the NT lets the old thing go gently to sleep at last.

Wedding cake spires and four-poster beds float through the air as Tim Curry's sleek mustachioed Mack springs out of a funereal, spring-heeled procession to mourn the dead king. His not so stable marriage ceremony is conducted in plush Oriental circumstances — Persian carpets, candelabras and potted palms, a Faberge bird in a gilded cage sniffily dismissed by Mack as deriving from Gamages.

That gives an idea of the ingenuity needed to keep the show on the road. Although the quality of the singing varies a lot, Weill's score is as compelling as ever and it rather sounds as though Dominic Muldowney, the musical director, has gone back to the original arrangements. Apart from the clumsy microphoning, it all sounds superb even if Mr Curry's gliding enunciation could do with a severe injection of scintillation, dissonance and sharper articulation. Mr Curry is all very well, but he is no Joel Grey. The band, banked on one side, includes a squeeze box, harmonium (for Jenny's marvellous "Song of Solomon"), banjoes, guitars, brass and clarinets.

Pulling it all together is the problem, and Mr Wood only really succeeds in the pursuit of Mack who is trying to escape a rape rap and other criminal charges: lolling among the suspender-belted whores, he shoots off through a maze of skylights and chimney stacks, a most ingenious display of rooftop architecture descending to ground level. Mr Curry's Douglas Fairbanks act is halted on the scaffold after the "pregnant" Lucy (Joanna Foster) is abandoned in a clutter of stunningly scaled-up dolls' house façades.

The production improves as it goes along, with good work from Sara Kestelman as Mrs Peachum, Sally Dexter as a transparently ripe and luscious Polly and Michael Bryant hamming it up in a W. C. Fields nose as Crookfingered Jake. This is a classier, more reverent version than Tony Richardson's of 1972, but I miss such coarse and memorable excesses as Barbara Windsor as the wronged Lucy screaming her entry from across the road (that eye-scratching scene goes for little here) and Vanessa Redgrave trying to sing. In the end, I feel the show, the first fully sponsored at the NT (by Citicorp and Citibank) is just what sponsors will like. Which is a bad sign.

Parsifal/Coliseum

David Murray

Anything that is wrong with the English National Opera's new *Parsifal* is put spiritually right by the conductor Reginald Goodall. It is a comprehensive rescue, *even a salvation*: the catalogue of mishaps and Wolf Münzner's misbegotten designs might have spelled disaster, but in the event they were trivial distractions. Though the principal singers were creditable on Saturday, and more than that, they might easily have lost against those odds. It was Goodall who endowed Wagner's opera with such radiant conviction, first to last, that anyone else's blunders dwindled to mere surface-static.

Not many real operas can be saved by inspired treatment of the score, but to an unprecedented extent *Parsifal* is its score. The well-shaped (if protracted) action is obscure and indeed fishy in detail. As fairy-tale it isn't up to much, but stage attempts to fix a clearer grown-up sense upon it are exceedingly risky: better to leave Deeper Interpretation to the programme-book (the ENO's is as usual chockablock with data), and better still just to listen. The function of the story is really to give us initial bearings on what *the music* is about, for that is dramatically richer than anything that could be shown. Hence the conductor's unique responsibility, which Goodall — with the ENO orchestra in beautiful form — carries nobly.

From a perfectly realised Prelude, shaped majestically and in depth, through a wonderfully easeful, glowing Good Friday—linked seamlessly to the closing pages of benediction —he measured the proportions of the score with a master's insight. Nothing that he did sounded *slow*, be it said, except the brief up-tempo irruptions that enliven old Gurnemanz's narration in the first scene (Kundry's "wild ride" was on the stately side), and even those were so firmly characterised that only a little pace was lost. Inner orchestral voices were encouraged to sing, while the great paragraphs unfolded steadily.

The ENO choruses had their problems. The Knights of the Grail are not very numerous on stage, and are dampened by being placed mostly too far back; imperfect co-ordination with the singers offstage was betrayed by wavering pitch and tempo. I expect that will be rectified swiftly. The leading Flower Maidens are mellifluous and bright; among the Esquires (the producer Joachim Herz seems undecided about whether they are individuals or a mini-chorus) Alan Woodrow and Terry Jenkins stand out usefully.

Herz's production must be sharply distinguished from Münzner's designs; and in fact it distinguishes itself by ignoring them altogether, arranging the action as if it were respectably located, and not in visions of such aggressively unclever silliness. The glades of Monsalvat — *and* Klingsor's magical domain — are alike rendered as walls of giant green intestines (turning ash-grey for the later scenes). The Flower Maidens, in bathing caps and a lot of rayon, inhabit a large basket with a pink patch-work pocket and a plastic rim; Klingsor flits above them in an aerial dodgem-car. I suspect these designs were for some quite different show in a children's puppet-theatre, meant for building in plasticine and kitchen equipment. They have not enlarged well. At least the Grail is a properly magical traditional object: perhaps Herz insisted.

Though his staging generally respects what is needed (Kundry travels alone to the final Grail scene, for some reason, and fails to expire when there), he seems to have given no interesting guidance to his actors, who stand and gesture conventionally. But his Parsifal was felled by influenza: we had Siegfried Jerusalem instead, a most fortunate last-minute replacement, *giving his* usual forthright performance, vigorous and sensible. Since he sang in German, Andrew Porter's English translation awaits fuller testing (the Parsifal-Kundry scene is the one that should gain most from intelligible words). Gwynne Howell's fine, amiably solid Gurnemanz made most of it; he is just the tower of strength required.

Despite her arbitrary sequence of costumes (the scarves and gypsy dreadlocks for the first scene will do, but her Act 2 guises are witless), Anne Evans gives us a Kundry of much warmth and dignity. Not wild at all, nor often intelligible; but she phrases Wagner with authority, and is moving in her all-but-silent last act. Rodney Macann's overweening Klingsor is rawly effective, and Dennis Wicks (opulently robed) makes a striking figure of the crumbling Titurel, sweetly sung as well as uncommonly visible.

Neil Howlett's Amfortas reaches furthest into the deep workings of the opera. His baritone is more soft-grained than some who can insist upon Amfortas's heroic stature—his "Erbarmen!" cries do not seize us by the throat—but he is a subtle musician, and his whole performance is fraught *with dramatic intensity*. What awaits full definition in Miss Evans' Kundry, Howlett has already found: it is he who illuminates the dark side of *Parsifal*. The loyalty between all these singers and their conductor was exemplary, but for an early, passing divergence between Goodall and Jerusalem. In no small part, it generated the steady glow that made this *Parsifal* memorable.

Drop Your Pearls/Theatre Royal, Bath

Clement Crisp

London Festival Ballet took its concert group, LFB2, to Bath's Theatre Royal last week. This jewel of a playhouse is fine for the modest scale of LFB2, and the programme of four short ballets looked well on the stage. One of the heroes of the occasion was the pianist, David Elwin, who provided much of the evening's music, *his most dubious task* proving the need to cope with the inanities of Margaret Keogh's score for *Variations for Four* which has lurched back into the repertory.

Conceived by Anton Dolin in 1957 as a gala show-piece for four male stars (John Gilpin, Flemming Flindt, Louis Godfrey, André Prokovsky), it is a child's guide to difficult steps for men. It demands performers of the calibre of its original cast, and these it signally lacked on Friday night. Raymond Smith's reserved classic style impressed me most. His companions—Darryl Norton, Craig Randolph, Patrick Armand—seemed enmeshed in *their variations and dogged by* the nullities of the score.

The violinist Donald Weekes joined Mr Elwin for Jascha Heifetz's cosmetic surgery on Gershwin tunes, which acquire thereby the characterless uniformity found in the faces of American soap-opera heroines. They are the text for Nils Christe's *Necessarily So*, which does not bear continued acquaintance. The choreography is tediously the same as one swooning, swirling number succeeds another—in this the dance is responsive to its gutless score—and it does nothing for a cast who perform with the emotional vivacity of undertaker's mutes.

Emotion, intense and unrelenting, is plentiful in Christopher Bruce's *Land*. I do not enjoy the piece—there goes Mr Bruce, picking at the world's scars yet again—but it received dedicated performance, and in it Janette Mulligan looks a very fine artist indeed. She establishes mood, sustains feeling, with extreme finesse of expression and, ravaged by circumstance, yet retains an exceptional dignity.

The novelty of the evening is a "creation" in actual and dress-shop sense—for LFB2 from Michael Clark. *Drop Your Pearls and Hog It, Girl* as a title may have some relevance to what happens on stage, but the link escapes me. It is an adolescent joke about *Swan Lake* in which Pearl, an aspirant swan (the delightful and pretty Karen Gee), is surrounded by a chorus line of four women representative of tradition, two swan girls with vast and ornithologically exact wings, and Siegfried as male chauvinist and bulging-muscled *danseur, renamed Pig*.

There is a Cunninghamesque joke in that part of the manic action is played to a live television broadcast: on Friday this was a sheep-dog trial during which the commentator suddenly took off into realms of higher surrealism by telling us that "Ros is gifted at making soft toys." Mr Clark is somewhat less gifted in the soft toy stakes: *Drop Your Pearls* is without choreographic interest, though it does manage one good joke when role-reversal overtakes the last act duet from *Swan Lake* as Pearl and Pig make a despairing farewell.

The score is as dislocated as the activities on stage, and is provided by The Fall (of course) and St. Saens (inevitable, given the swan theme), with a quick nod, also inevitable, to *Swanee*, and a Balinese "Ketjak" (monkey play) chorus. Miss Gee is adorable throughout. Miss Mulligan looks very svelte in Body Map's clothes, and Craig Randolph postures and bulges as Prince Siegpig. It is schoolboy fun, and I suppose it is meant to bring the young into the theatre. But I hope that Festival Ballet will also remember its duties towards *Swan Lake* as a work demanding the highest talents and greatest efforts of a ballet company.

*

At Covent Garden on Saturday night the Royal Ballet introduced some cast changes into its current triple bill of *Frankenstein, Consort Lessons* and *Gloria*. Anthony Dowell's Frankenstein, in a blond wig and an abominably cut tail-coat (surely made for the monster rather than its creator) looked elegant and overwrought by events, as who should blame him. Maria Almeida appeared uneasy in emotion and in double-work as the hapless Elizabeth, and Julian Hosking assumed the sequins and peroxide of the Monster, partnering Mr Dowell with a nice sense of the improbability of it all.

In Gloria Bryony Brind and Jonathan Cope took leading roles, and drew the first outlines of readings which experience should help them fill with the implications of theme and choreography. *Consort Lessons* still defeats some of its cast. It is sad that performances continue to have a hit-and-miss air.

Earth Dances/Festival Hall

Andrew Clements

Premieres of Harrison Birtwistle are coming thick and fast over the next six months. Dominating them is the first performance of the massive *Mask of Orpheus*, due at the Coliseum in late May; during South Bank Summer Music Opera Factory promises the smaller-scale "mechanical pastoral" *Yan, Tan, Tethera*, composed in 1984. On Friday, however, the BBC Symphony Orchestra introduced *Earth Dances*, commissioned by the BBC for the "Music of Eight Decades" series, and completed only last month.

It is by any standard an imposing score, playing for over 35 minutes and requiring a huge orchestra. Birtwistle's last orchestral work of anything like the same dimensions was *The Triumph of Time* 14 years ago; in the meantime his style has changed in several respects, not least in its concept of form. The piece he wrote for the London Sinfonietta in 1984, *Secret Theatre*, could be seen as a jumping-off point for *Earth Dances*; the techniques employed there, of dividing the chamber orchestra into two groups, one with material that is melodic, the other with a harmonically organised basis, is ramified here into musical layers of great complexity.

From the score it is relatively easy to see how musical layers (six in all) are deployed; Birtwistle's likens them to geological strata, and hence gives a *raison d'être* to the work's title. Each stratum is characterised by different intervals and comes into and recedes from prominence several times in the course of the work; each also has its own instrumental texture. In performance, however, the separate elements are less easy to distinguish, and the overall impression is much more unified — of a steadily evolving organism, which reveals different facets of itself as it changes over time, and which contains within itself the potential for generating enormous power.

The climaxes of *Earth Dances* are intensely powerful; they have an emotional directness that is quite new in Birtwistle. The sheer amount of material that whirls by is exhausting to apprehend at a single hearing, and one can only get a glimmer of the processes shaping and ordering its passage, but in some ways the orchestral writing appears less uncompromising than one might expect. There is a feeling of conscious orchestration about the scoring, something which the bare-boned *Triumph of Time* would never have admitted.

In what must have a quite daunting challenge the BBCSO under Peter Eötvös acquitted themselves heroically. Eötvös grows steadily more impressive; he had preceded *Earth Dances with B. A. Zimmermann's* charmless *Dialogue* for two pianos and large orchestra, in which the talents of Bruno Canino and Antonio Ballista were squandered upon much unrewarding keyboard writing, and Stravinsky's *Threni*. In this context it sounded especially grave and beautiful; Eötvös's account was utterly straightforward and effective. The light, expressive sextet of soloists was Anne Dawson, Jean Rigby, Martyn Hill, Peter Hall, Michael George and David Thomas; the BBC Singers provided secure support.

New artistic director for Redgrave Theatre

Patrick Sandford has been appointed artistic director of the Redgrave Theatre, Farnham, following Stephen Barry's move to take up the position of director at the Theatre Royal, Bath. Mr Sandford is at present artistic director of the Lyric Players Theatre, Belfast.

Borodin Quartet/Elizabeth Hall

David Murray

On Thursday the hall was well and truly full for the fourth concert of the Borodin's Shostakovich cycle; the sympathetic vibrations were enough to snap a violin string in the first half, and a viola string in the second. Each time, the quartet began again from the top, concentration unimpaired—but their concentration is probably proof against anything short of a bomb-attack. Producing a magnificent range of graded dynamics with the lightest and steadiest of bowing (and no histrionics), they seem to transmit the music plainly and incontrovertibly: interpretation conceals interpretation.

Only this programme and the last one (next Sunday) were compiled from strictly consecutive quartets. This time we heard the Sixth, Seventh and Eighth Quartets, from just before and after the Eleventh Symphony. (The Eighth Quartet insistently quotes Shostakovich's recent Cello Concerto, among other works close to his heart too.) The dramatic Eighth is far better known in the West than its predecessors—there is even a string-orchestra version of it, though the Borodin performance showed how much tighter, sharper and grimmer it sounds without the superfluous weight.

In their account the shocked silences and numb drones had their full effect. In a sense, Shostakovich refused to compose-out the wartime horrors on which he was reflecting; the middle of the work consists of angry fragments and bitter backward looks, and the music speaks directly for itself only in the Beethovenian elegy at the start and in the failing threnody at the end. That was exquisitely marked by the cello, with a personal note which had been rightly excluded from the fugal elegy (as [illegible] ing after the snapped string as it had been first time round).

The smaller Sixth and Seventh Quartets—both spare, textured and light, the one apparently playful for much of its length, the other delicately introverted—display the unique qualities of the Borodin team even more clearly. (Though one won't forget their sardonic Waltz in the Eight, repeated each time at a more ethereal pianissimo than before.) Their appallingly dry, smokey timbre achieved a wonderful balance in the winding games of the Sixth, and became eloquent in its Passacaglia. In the Seventh, which is almost a private monologue passed from voice to voice, their expressive unanimity was uncanny; the thread of reflection was taken up with taut gentleness and never a lapse.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Mar 14-Mar 20

Music

PARIS

Bernard Ringeissen, piano, Chantal Bastide, soprano, Orchestre d'Harmonie des Gardiens de la Paix conducted by Claude Pichaureau: Dukas, Schubert, Mozart, Donizetti, Gershwin (Mon 8.30pm). TMP-Chatelet (42330000).

Ensemble Orchestral de Paris conducted by Sandor Vegh, Jean-Pierre Wallez, violin: Beethoven, Schubert (Tue). Salle Pleyel (45610830).

Peter Schreier recital (Mon). Théâtre de l'Athenée (47426727).

Orchestre de Paris, Dietrich Fischer-Dieskau, baritone, Hartmut Hoell, piano: Wolf Mörike lieder (Wed). Salle Pleyel (45610830).

Nouvel Orchestre Philharmonique conducted by Wolfgang Doerner and Maitrise de Radio-France: Mozart, R. Strauss, Mendelssohn (Thur). Salle Pleyel (45610830).

Moura Lympany, piano: Ravel, Debussy, Rachmaninov (Thur). Salle Gaveau (45632030).

LONDON

City of London Sinfonia and Richard Hickox Singers conducted by Richard Hickox: Finzi, Elgar, Vaughan Williams and Holst. Barbican Centre (Mon). (6388891).

Philharmonia Orchestra conducted by Esa-Pekka Salonen. Mahler 7. Royal Festival Hall (Mon). (9283191).

London Philharmonic Orchestra conducted by Klaus Tennstedt. Mahler 8. Royal Festival Hall (Tue).

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy with women of the London Symphony Chorus and Jessye Norman, soprano. Debussy and Berlioz. Royal Festival Hall (Wed).

Beethoven's Missa Solemnis with the English Chamber Orchestra and Tallis Chamber Choir conducted by Jeffrey Tate with Margaret Marshall, soprano, Ann Murray mezzo-soprano, Dennis O'Neill, tenor and Stafford Dean, bass. Barbican Centre (Wed).

London Symphony Orchestra and Pro Musica Chorus conducted by Marek Janowski with soloists including Jill Gomez, soprano. Beethoven and Mozart. Barbican Centre (Thur).

Borodin Quartet. Shostakovich (Thur). Queen Elizabeth Hall (9283191).

Philharmonia Orchestra conducted by Esa-Pekka Salonen with Kyung-Wha Chung, violin. Sibelius and Schoenberg. Royal Festival Hall (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. Anton Kersjes conducting the Netherlands Philharmonic, with Heinrich Schiff, cello. Rimsky-Korsakov, Tchaikovsky, Shostakovich (Mon, Tue). Recital Hall: Carolyn Watkinson, mezzo, accompanied by Rudolf Jansen. Schubert, Mahler, Wolf, Obradors, De Falla (Tue). Ik-Hwan Bae, violin, and Daniel Blumenthal, piano. Mozart, Beethoven, Bach, Debussy, Chausson (Wed). Radio Chamber Ensemble. Ruppe, Brandt Buys, Van Ancooy (Thur). (718345).

Utrecht, Vredenburg. Jean-Bernard Pommier, piano. Haydn, Beethoven, Chopin (Wed). Anton Kersjes conducting the Netherlands Philharmonic, with Heinrich Schiff, cello. Rimsky-Korsakov, Tchaikovsky, Shostakovich (Thur). Recital Hall: Glinka Quartet, with George Pieterson, clarinet, and Ronald Brautigam, piano. Prokofiev (Tue). Schoenberg Ensemble. Dallapiccola, Berio, Scelsi, Nono (Thur). (314544).

Rotterdam, De Doelen. Recital Hall: Mozart quintets performed by members of the Orchestra of the 18th Century (Mon). (142911).

VIENNA

Zurich Chamber Orchestra conducted by Edmond de Stoutz with Dang Thai Son, piano. Haydn, Mozart, Tchaikovsky. Konzerthaus (Tue).

Milwaukee Symphony Orchestra conducted by Lukas Foss with Ivo Pogorelich, piano. Bach, Schoenberg, Foss, Tchaikovsky. Konzerthaus. (Tue).

Huguette Dreyfus, harpsichord. Bach and CPE Bach: Albertina (Wed).

Vienna Symphony Orchestra conducted by Leopold Hager with Tsuyoshi Tsutsumi, cello, Christine Whittlesey, soprano, Ioana Borovska, alto, Richard Karczykowski, tenor. Schumann, Mendelssohn, Musikverein. (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Pierre Boulez conducting, Phyllis Bryn-Julson soprano. Stravinsky, Debussy, Boulez (Tue); James Conlon conducting, Salvatore Accardo violin. Copland, Paganini, Prokofiev (Thur). Lincoln Center (8742424).

Carnegie Hall: Y Chamber Symphony. Gerard Schwarz conducting, Alexis Weissenberg piano. R. Strauss, Mozart, Stravinsky, Weill (Mon); Bella Davidovich piano recital with Dmitry Sitkovetsky violin. Mendelssohn, Grieg, Mozart, Ravel (Wed). (2477459).

Kaufmann Hall: Chamber Music with Ax, Kashkashian, Laredo, Robinson, Schumann and others (Tue, Wed). 1395 Lexington Av.

Merkin Hall (Goodman House): Speculum Musicae, Michael Gandolfi: Personae (world premiere), Sherree Clement, Olly Wilson, Bulent Arel (Mon). 67th W. of Broadway (3628719).

WASHINGTON

National Symphony (Concert Hall): Michael Tilson Thomas conducting, pianist. Mozart, Gershwin, Berg, R. Strauss (Tue) Michael Tilson Thomas conducting, Marcus Thompson viola. Telemann, Mahler (Thur). Kennedy Center (2543776).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting, Francis Akos violin. Bach, Mahler (Wed, Thur). (2358111).

Daniel Barenboim piano recital (Orchestra Hall): All-Beethoven programme (Tue). (2358111).

TOKYO

Japan Philharmonic, conducted by Naohiro Totsuka; piano Ikuyo Kamiya. Mozart, Strauss, Sibelius. U-Port Hall, Gotanda (Mon). (2370900; 3806060).

New Japan Philharmonic Orchestra, conducted by Michiyoshi Inoue; clarinet: Yoshiaki Suzuki. Hindemith, Weber, Scriabin. Tokyo Bunka Kaikan. (Thur). (4991511).

Traditional Japanese Music. A programme of music and dance inspired by the classic epic, The Tale of the Heike. Honmoku Tei, near Ueno Hirokoji subway station (Wed). (3417094).

Saleroom/Antony Thorncroft

Miniatures in the big time

Sotheby's is holding the star sale of the week: the first part of the late Sir Charles Clore's collection of miniatures. Being a busy man, Sir Charles did not waste time in accumulating his collection. He bought the one assembled by D. David-Weill in the early part of the century—the great period of miniature collecting.

Under the hammer come works by all the great names of the late 18th and early 19th century continental masters: Isaby and Augustin, Fuger and Fragonard, and many more. The top price, around £30,000, is expected for a miniature of the Archduchess of Austria by Fuger. In historical terms miniatures are currently cheap. This sale today could revitalise the market.

Silver provides Christie's with its major auction on Wednesday. The top lot is a wine cooler and platter made for Ernest Augustus, the fifth son of King George III, who, in 1837, became King of Hanover. The cooler was executed in 1821 by Philip Rundell and the platter was added in 1838 by William Bateman. Both pieces were modelled by Flaxman and Edward Hodges Baily. Between them the set should make more than £100,000.

In the same sale the Duke of Leeds Will Trust is raising money by disposing of a pair of candelbra by Paul Storr (top estimate £40,000), and 36 dinner plates made for Sarah Jennings, first Duchess of Marlborough (top estimate £20,000).

An unusual tureen by Barnard, made in 1833 to commemorate 50 years of service by the Chief Clerk of Christ's Hospital, is embellished with handles modelled as boys from the school. It could reach £8,000.

English watercolours are much sought after at present. At Christie's tomorrow the most intriguing item is a view of the fort in India where that long time enemy of the British, Tipu, met his death in 1799. It was drawn by Turner. Turner never went to India and the watercolour was attributed until recently to William Daniell, but the catalogue makes a convincing ease for Turner and the watercolour carries a top estimate of £10,000. High prices for watercolours are no new phenomenon.

Fans of the late Roy Plomley, for ever associated with "Desert Island Discs," will have the chance to acquire a memento on Friday, when Christie's South Kensington sells his collection of historical and theatrical douments, as well as books given and inscribed to him by such castaways as John Betjeman, Cecil Beaton, John Fowles and John Osborne.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday March 17 1986

The politics of cheap oil

THE political implications of the collapse in oil prices are beginning to make themselves felt in the Middle East. They offer a sobering counterpoint to the euphoria created in parts of the industrialised world by the stimulus that lower energy costs provide to economic growth.

Not too many tears need be shed over Saudi Arabia's decision to postpone issuing a budget for five months. The kingdom was one of the prime beneficiaries of the oil price explosion during the 1970s and still has plenty of fat to cushion the transition to relative recession.

It is also likely that the Saudi royal family has decided that some protestation of penury was advisable ahead of yesterday's meeting of the Organisation of Petroleum Exporting Countries, especially with Algeria, Libya and Iran becoming more strident in their denunciation of the Saudi sales policy which has triggered the price collapse.

Throughout the Geneva deliberations of Opec, the delegations, and particularly Saudi Arabia, will certainly be mindful of the impact that sharply lower revenues are having on the two principal crisis areas of the Middle East—the war between Iran and Iraq, and the Arab-Israel issue.

Support

Iraq would not have been able to withstand Iranian military pressure for so long without the estimated $30bn it has received in direct financial support from Saudi Arabia and Kuwait. This is quite apart from the 310,000 barrels of crude a day which Saudi Arabia and Kuwait continue to sell on behalf of Iraq. The diminishing value of these sales, Iraq's own falling revenues, and the probability that its Arab allies will no longer be forthcoming with large capital donations, could force a reassessment of the war at a time when Iran has succeeded in occupying further slices of Iraqi territory.

The one clear advantage which Iraq has enjoyed is the qualitative and quantitative superiority of its weaponry. If that is to be maintained—and the material losses of the past month's fighting made good—Iraq will require further substantial injections of aid.

The Iranian economy is equally oil-based, but its labour-intensive style of warfare and its almost total freedom from external debt suggest that it could sustain its series of limited offensives for some time. However, that capacity must eventually be reduced as Iran finds it ever more difficult to market its crude.

Hence the bitterness of its invective against Saudi Arabia and against Kuwait which, with fighting continuing nearby, has moved military reinforcements to its border with Iraq. Behind Opec's deliberations will lie an appreciation of the danger that either combatant could widen the conflict as a last desperate response to severe economic pressure.

Of no less concern is the effect that falling oil prices are having on Egypt. For the past eight years this country has been the constant on which western efforts to resolve the Palestinian issue have ultimately rested. Despite the assassination of President Sadat in 1981 and the 1982 invasion by Israel of Lebanon, Egypt has remained loyal to the peace treaty.

It has been rewarded by over $2bn a year in civil and military aid from the US, but even this is now proving unequal to the huge burden imposed on the Egyptian economy by unchecked population growth coupled with the refusal of successive governments to grapple with more fundamental reform.

To say that the fall in oil prices has made the Middle East even more unstable and potentially dangerous than it was before is not to argue that the West should co-operate with Opec in getting oil prices up again — even if it were feasible to do so. Yet the additional instability must be of concern to the West. Western governments should do what they can to help the process of adjustment to lower oil prices in the Middle East, just as they are doing in countries like Mexico and Nigeria. For example, a much more determined effort should be made to persuade President Mubarak of the importance of long-overdue reforms, but tied to the promise of debt rescheduling. At the same time, however unpromising the prospects, the West must use whatever influence it can in the search for an end to the Iraq-Iran war and for a solution to the wider Middle East conflict.

Europe's global enterprises

THE FUTURE of Westland, the British helicopter company, and of British Leyland, the vehicle manufacturer, has been debated largely in terms of domestic politics. But the controversies have also focused attention on a key European question. How can Europe foster internationally competitive enterprises, especially in those sectors where economies of scale are important and where competition takes a global, rather than a national or even a European, form?

A growing number of industries, not just the so-called high-technology ones, falls into this category. The principal developed-country markets — Europe, North America and Japan—are becoming more closely integrated. New products—and, no less important, new manufacturing techniques designed to reduce costs or improve quality — are soon matched by rivals. The innovator has to exploit his lead quickly in all major markets.

If European enterprises are to make the leap from national to global competitive strength, they need to have a solid position in their "home" market—that is, in Europe—from which to attack their American and Japanese rivals. Too often European companies have sought to establish themselves in the US, usually by acquisition, without a strong enough home base to support it. Second, Europe has to remove national barriers to the movement of goods, services and capital, so that opportunities for economies of scale are available to entrepreneurs. Third, management has to have a clear vision of the demands of global competition and a strategy for meeting it.

Interestingly, some of the successes are found in smaller European countries. Some Swedish companies, for example, obliged by the size of their domestic market to think in international terms, have moved further in the global direction than their British, French or German counterparts. The recent bid by Electrolux, the domestic appliance company, for White Consolidated Industries in the US illustrates the point.

Here is a company which has built up an extremely powerful position in Europe, mostly by acquisitions, such as the purchase of Zanussi of Italy in 1984. Electrolux now has about 20 per cent of the European "white goods" market. It can exploit economies of scale in manufacture (though national differences still make it difficult to produce a standard appliance for the whole of Europe) as well as in marketing and in research and development. Through the purchase of White, it hopes to secure an equally strong position in the US.

Domestic appliances differ in important respects from businesses like computers or semiconductors. It is a mature industry in which the Japanese are not yet significant world competitors, except in a few items like microwave ovens. Because of the nature of the product, the scope for shipping large appliances between Europe, the US and Japan is limited. Yet there are other differences which are relevant to the wider question of European competitiveness. Domestic appliances are sold to non-government customers and the industry is not regarded by governments as strategic; there is more of a genuine common market than in the high-technology sectors.

Problems

Growth by acquisition poses difficult management problems and is certainly not the only route to international competitiveness. The Japanese, when they invest overseas, generally prefer to build their own factories. But the Electrolux policy of extending its reach across Europe seems to have advantages over the purely national consolidations which have been taking place in the UK, France and Germany.

An aggressive strategy of this kind is not open to weak companies like Westland or BL, which are forced to make whatever arrangements will ensure their commercial survival. But as an example of an enterprise which has the ability and will to achieve world leadership in its chosen sector, and is set to making full use of the opportunities available in Europe, Electrolux offer some useful lessons for the rest of European industry.

The phenomenon that may not be enough

John Lloyd takes his second industrial ride, from Felixstowe to Cambridge

"OF COURSE we have to be efficient," says Brendan Lambe. "Of course we have to compete. Otherwise the trade will go abroad." What would be a soporific bromide at a three-hour City lunch sounds different on Felixstowe Dock with a wind of ice whipping in from the North Sea up the River Orwell; even more different on the lips of the dock's full-time Transport and General Workers Union convener; as if it might mean something.

It had better mean something. If industrial regeneration is not to elude Britain completely, East Anglia had better show the way. To travel here is to encounter success: to see, palpably, a shifting in attitudes and expectations and practices, to listen to English accents disdaining Anglo-Saxon attitudes and eager to adapt to the future.

It is also to sense the fear, cold as the wind on the Felixstowe Dock, that it will not be enough—or that it may be enough for East Anglia but it will not do much for the rest of us.

What is it? Highly selectively, it is a route from Felixstowe through the agri-rich counties of Suffolk, Norfolk and Cambridgeshire to Cambridge itself. It is trading, growing and making, all being done well and profitably and enjoyably and job-creatingly. It is certainly no one cause or even set of causes, though there are some interesting linkages. It is a common approach or set of mind.

Lambe has it, and he gets stick from the TGWU establishment because of it. Felixstowe is not one of the Dock Labour Scheme ports, which means that the tight demarcation lines and restrictions on redundancies do not apply. It is also on the expanding European trade routes (the contraction of the US trade had decimated Liverpool and Glasgow docks) and it has invested heavily in containerisation technology to the point where it is the biggest container port in Europe. A further £100m investment in a new container dock now waits on parliamentary approval which is being bitterly opposed by Lambe's union.

As Lambe strides rapidly about the docks, dodging the tugmaster trucks which carry the containers from the huge cranes to computer selected bays ready for pick-up, he gets stopped again and again to be congratulated by his members for crossing swords with Ken Weetch, the Labour MP for neighbouring Ipswich, who is also opposing the extension. The union wants success to be shared around its other 10,000 dockers in the trade-starved ports elsewhere. "But it won't go elsewhere," said Lambe. "It will go abroad, to the Continent."

He notes, approvingly, that Geoffrey Parker, Felixstowe's chairman, is in China drumming up business for the company; it made an after tax profit of £8.7m on a £42m turnover for 1984. "There's not the bureaucracy here that you have in other ports: if I have a problem I go to Parker direct." The style of both Lambe and Parker is direct, personal, busy: little of the ponderous machinery of older industries with structured industrial relations.

Go west from the dock up the near-motorway A45, round Ipswich and Stowmarket and Bury St Edmunds and Newmarket and see the wide fields stretching north through Suffolk into Norfolk, holding beneath their hard ground the arable crops which will spring up in the months ahead to give their farmers a headache. The headache is: who needs it?

That's a new one for the farmers of East Anglia, who for the 15 years between 1970 and 1985 were doing so well that they began grumbling about a lack of grumbles. Oliver Walston was always a heretic in this regard: he wasn't grumbling then and he isn't now, even when he could. He's a very well off, very big farmer with 3,000 acres on the Cambridgeshire/Suffolk border which he farms with 11 people whom he just cut down to 10 because times are hard. "The yield of wheat and barley here doubled in these 15 years. *Doubled.* That's unparalleled since the Garden of Eden."

The takeoff was thanks to the Common Agricultural Policy, which gave guaranteed prices; the discovery by agronomists in Germany and Belgium that cereals could be farmed much more intensively with the use of massive amounts of fertiliser; to new fungicides; and to the development, by plant breeders at the Cambridge Plant Breeding Institute, of strains of high yielding wheat. East Anglia had good climate and good soil: and though its relatively light rainfall discouraged the grass that cattle need, it benefited from specialising in arable crops because the CAP favours them over cows and sheep. "You had to be unimaginably incompetent to fail," says Walston.

He clearly is not. His payroll and financial and field records are all held on an Apple II computer, run with Farmplan software: a CB radio system links the office to the 16 tractors and a UHF radio links in seven other vehicles. He got his education at Cambridge and Princeton Universities and capped it all by writing speeches for George Brown.

But a terrible harvest last year helped cut farming incomes by 43 per cent; farmers have stopped investing—to the distress of the machinery suppliers—and even giants like Walston are laying off workers. The Norfolk farmers successfully proposed to the NFU annual meeting last month that all arable farmers reduce the land given over to wheat and barley by leaving ten per cent of it fallow: this will, they hope, ward off dramatic cuts in the CAP prices and even more hated quotas. Then, with a few good harvests, the good times and the BMWs will roll once more.

Out on the M11 just down from the little Archer-like village of Thriplow, which Walston's acres encompass, you look for the Porsches. Spot a Porsche, spot a modern Cambridge man: a hi-tech hot shot wunderkind who talks leverage in the City in the morning (the M11 is so fast), picks up orders on the phone to Boston from his plant in Cambridge Science Park in the afternoon and reviews research into gallium arsenide at the Trinity High Table in the evening.

This is the Cambridge Phenomenon, labled so in an influential report by Dr Nick Segal, a local consultant, two years back and now a subject of sophisticated delight and debate in the town. Last Wednesday, at the University Centre, the entrepreneurs and merchant bankers mingling excitedly under the auspices of the influential Society for the Application of Research seemed to have no doubts that the phenomenon existed. It is the rapid growth, especially over the past half dozen years, of new hi-technology companies typically begun by a few graduates, operating in the fields of software, bio-technology (increasingly) and electronic components.

Its base was the existing "old" scientific companies, Pye and Cambridge Instruments pre-eminent, both founded to supply the University—in particular the Cavendish physics lab—with instruments at the end of the last century. Its stimulus was a 1969 report by Professor Sir Nevill Mott, then head of the Cavendish, which backed the political concern to push technology and research by calling for development of science-based industry, linked to the University, in and around the town.

This dethroned the previous snobby consensus that that stuff was not for Cambridge—a view which had sent IBM executives packing when they tried to set up a European research lab there in the 1960s. "It opened up the back door of the university and let the academics out," says Richard King, managing director of Cambridge Electronic Industries, the £150m a year group hived off from Pye in 1981 and poised between the "old" and "phenomenon" companies.

The phenomenon's patron saint is Cambridge Consultants. It was begun by a skinny and eccentric talent called Tim Elloart, who had visited a paper mill in his final year at Trinity for his chemical engineering project to say what was wrong with it. He then conceived the idea, as he now puts it, "to apply people's brains to industry: I had the idea we could buy the brains cheap and sell them dear." He set up a ramshackle company which had no business planning, financial framework, or personnel policies, and found that he and the friends who drifted in to join him were spending most of their time making gadgets—"in those days you had to show you could make something to be credible"—and very little of it consulting. The group spun off its manufacturing arm into AIM, which came to grief in 1971: the consultancy was rescued and bought by Arthur D. Little for £45,000: Elloart was gently propelled out, and now runs a charity called Sunseed Trust which tries to make the deserts bloom.

It has helped to spawn more than 20 companies of which one, Domino Printing Sciences (ink jet printing technology) is tipped by some (not all) in Cambridge for great growth. Now, with the obligatory long low Silicon Valley-copy building in Cambridge Science Park, and a managing director—Paul Auton—who has a business school training as well as a physics degree, it has an asset base of £4m and does no consultancy.

But the Godfather of it all is the University. The University was the progenitor of the "old" companies, the educator of many (not all) of the entrepreneurs, the heart of the research effort. Foremost among the university colleges in creating the phenomenon is Trinity: and Trinity, in this respect, is Dr John Bradfield.

Bradfield is Trinity's bursar, and a scientist (zoologist): a fortuitous mix made the more so by his passionate interest in furthering the phenomenon companies. Immediately after the Mott report was published, in 1970, Bradfield identified a 130-acre site on the north of Cambridge which had lain derelict since being a tank marshalling yard during the war. It became a science park, providing units for start-ups.

It grew slowly in the 70s, but rapidly in the eighties: last year, 15 new companies brought the total up to near 70. Opposite, a block of land owned by St John's College, is designated for a complementary innovation centre, where very small businesses—possibly even begun by undergraduates—will get a start in life. Says Bradfield: "I used to know all of these people on the park; now I might pass an MD on the street without knowing him."

Bradfield's power goes much further, though: for Trinity—one of the wealthiest of all academic institutions—has holdings through East Anglia, and further. It owns the land on which Felixstowe Docks stands—and Bradfield arranged for Brendan Lambe, with some of his shop stewards, to be impressed by the science park. He also has large farmland holdings in Norfolk—where Ken Leggett, the NFU secretary, worries that he and other big institutional shareholders like the Church Commissioners and the Norwich Union will try to sell up now that the going is tough. Dr Bradfield, courteously offering sherry in his rooms of a winter evening, is a modal point for much activity. He needs his 16-hour days to keep track of it all.

Central as the science park is to the phenomenon, it only represents some 10 per cent of the new business activity (and employs only some 2,000 people). Already, the phenomenon is changing: the first generation start-ups are being joined by big company research labs and "listening posts": the Britain's General Electric Company is setting up a research lab, Logica has already done so, Schlumberger has put up a beautiful building, based on a marquee shape, just off the M11 exit.

And the services are coming in. Dr Keith Haarhof, an assistant director of Singer and Friedlander merchant bank, took over an old butcher's shop just down from Trinity College and regards himself as part of it. Geoffrey King, whose Cambridge Executive Search works out of similarly modest quarters just down the street, also sees himself as indissolubly part of the phenomenon.

But — there has to be a but, because most people bring it up—will it *grow*? Can it be a Silicon Valley? When you ask that question, people say "well, let us set aside Sinclair and Acorn: they say that because these two best known Cambridge companies both took a dive last year, Sinclair losing £18.3m pre-tax to March 1985, Acorn — now largely bought out by Olivetti—losing £8.7m. Both were phenomenon companies and were the only ones to reach around £100m turnover: their much publicised troubles in selling cut-price home computers have raised fears that the phenomenon may be beautiful, but will always be small.

Says Richard King—"what appears to be going on is a number of very bright people who have created £3m or £4m companies, who look out of the window of the nice house and see the red Porsche and think—that's a nice size to be. Why should I build a £50m or a £100m company, with all the hassle?"

King may have something of an answer: his group is large, diverse, with a proven track record of letting its subsidiaries get on with the job. He's talking to a number of the young phenomenons, and there may be link-ups. But the critical lack remains management: much better than when Elloart and his buddies made gadgets in the back shed, but still a skill scorned by the engineers and physicists who drive their companies along on technology.

Says Geoffrey King: "When Hewlett and Packard began their company, they had the plan that it would be a big company in world terms." None of the phenomenons are that: and if they cannot tear themselves away from the labs or the Porsches long enough to try, they will not be.

The area is changing: there can be few more hidebound stereotypes than dockers, farmers or dons, and yet none of them are acting their 1950s British movie parts, or even pretending to. But it's the world role that they still will have to show themselves capable of.

Next: Port Talbot to Reading. The first article in this series appeared on March 10.

Thames to aid *Mother Ganges*

The cleaning up of the River Ganges, sacred to an estimated 500m Hindus, is a highly delicate affair. So delicate that when Thames Water, Europe's largest water authority, bid for a key contract, Rajiv Gandhi himself became involved in the negotiations.

It transpires that the great river, which courses through 2,500 kms of northern India, is capable, within the tenets of Hindu theology, of purifying itself. It cannot, in fact, be polluted, so the devout claim, no matter the evidence to the contrary. India's Prime Minister, during his visit to London last autumn, evidently stressed the sensitive nature of the deal. It was pointed out that the river — itself an instrument of purification for the millions of the faithful who bathe in its waters every day — merely needs a little help from humanity in the form of an end to the widespread introduction of pollutants.

David Triggs, Thames's projects manager for the Ganges contract (worth an initial £200,000 and with a potential worth millions) is the ideal choice for the job. A student of Indian philosophy and Sanskrit as well as being a civil engineer, Triggs worked on a previous Third World contract for Thames, helping cleanse waste water along the Nile. He quotes one of the laws of Manu, central to Hinduism, in which the sage expressly forbids the pollution of the Ganges, and, he says, approaches his mission with a great sense of privilege.

For Thames, the Ganges contract is a direct result of the authority's thorough cleaning-up of London's river in the 1970s. It claims that the Thames is now the cleanest metropolitan river in the world and hopes for other lucrative overseas work to follow the Indian venture.

Triggs, 45, and two colleagues leave for India this morning on the first of a series of extended visits. A fourth Thamesman will follow on Thursday. The New Delhi authorities will consider their recommendations in June.

Men and Matters

Filling space

European television's Battle of the Beams, in which France and Luxembourg have long been locking antennae, enters a critical phase this month with the appointment of a new market expert by the Grand Duchy's contender, Société Européenne de Satellites.

He is Marcus Bicknell, who has already made a name for himself in the satellite TV world as marketing director of Music Box, the London-based music channel now owned mainly by Richard Branson's Virgin group. Music Box beams its entertainment programmes to about 4m European homes via one of the satellites of the Eutelsat telecommunications organisations.

News of Bicknell's appointment comes after France last week finally refused to allot any channels on its TDF-1, direct television satellite, due to be launched in November, to Compagnie Luxembourgeoise de Télédiffusion, the Grand Duchy's broadcasting company. CLT at one stage had looked like securing rights to beam TV across Europe by means of TDF-1. But officials during the last days of the Fabius Socialist Government decided against letting the Luxembourgers on board the spacecraft and allocated the last two channels instead to a four-national consortium including Britain's Robert Maxwell and Italy's Silvio Berlusconi.

CLT believes that transmitting television from space will be most cost-effective with the cheaper SES satellite — backed by a powerful European consortium — than with TDF-1.

Bicknell's job will be to try to prove the point to other broadcasting companies, too, and to sell his 16 available programme channels. SES says it already has letters of intent to use its services. It will be up to Bicknell now to bring home the bacon before the Luxembourg satellite is launched with Ariane next spring.

Open government

BBC tv cameras are to be allowed in on a civil service selection board session — the gruelling 2½ days final stage of the annual open competition from which potential high fliers are selected.

Why open up to the prying eyes of the camera the means by which this section of the Establishment is picked?

To demonstrate the fairness of the civil service testing methods, replies the Civil Service Commission, which runs the selection process.

The commission also wants to familiarise the viewing public with the workings of the civil service, hoping to prove they are not so weird and secret as some might think.

But surely "Yes, Minister" has done enough—perhaps too much—to popularise the top reaches of the civil service?

"It certainly hasn't done us any harm," says one of the commission's seniors, who is bidding for the brightest brains coming out of the universities alongside the increasingly alluring competition from the financial sector. "Perhaps some of our candidates are attracted by the idea of being budding Sir Humphreys . . ."

Each selection board assesses 4-6 candidates for 2½ days. Those going before the particular board to be filmed will give their permission, with the assurance that the presence of the cameras will be kept discreet.

That part of the selection which involves sessions with the psychologist, always one of the 3-person assessment team, will definitely not be filmed.

Calories count

A hospital in Chorley, Lancashire, is saving more than £10,000 a year on central heating bills, thanks to McDonald's leftovers.

The hospital boiler gets a constant supply of free fuel from the waste of three other hospitals, six clinics — and the local McDonald's hamburger bar.

According to chief engineer, Chris Lowe, the system burns some 60 bags of McDonald's leftovers a week. "McDonald's classic boxes give a high calorific value," he says. "When they go in the boiler, the temperature gauge shoots up."

Driven to verse

Sign on the badly-dented rear bumper of a Mercedes parked in Sloane Street: "Be it ever so crumpled, there's no plate like chrome."

Observer

هكذا منه بالأصل

هكذا من الأصل

FOR MANY years people of good will have worried about the sale of armaments to the Third World by the industrialised countries.

They have claimed that this kind of expenditure is inherently undesirable on economic grounds because it diverts resources from development. They have pointed out that these flows of weaponry tend to be directed to unstable regions of the world, thus increasing both the probability of conflict between neighbouring states, the costs of such conflict to the combatants and the risks to the rest of the world.

They have also argued that the scourge should be held in check by negotiated restraints between the industrialised supplying countries.

That there is a problem is not in doubt. Whether there is a solution has always been questionable, to say the least. Between 1972 and 1982, according to the latest report on World Military Expenditures by the US Arms Control and Disarmament Agency, military expenditures grew by 2.4 per cent a year in developed countries but by 5 per cent a year in developing countries.

Arms imports by developed countries grew by 1.1 per cent a year but arms imports by developing countries grew by 7.7 per cent a year, roughly doubling from about $14.4bn in 1972, in constant 1981 dollars, to about $28.2bn in 1982.

Needless to say, the Middle East was responsible for a large proportion of this increase as a result of the 1973 war and the flood of dollars which followed the two oil shocks. In 1982 the Middle East accounted for nearly 42 per cent of world arms imports. Of the 10 countries spending the highest proportion of central government budgets on defence, eight were in the Middle East, ranging from 47.5 per cent in Oman to 28.7 per cent in Israel.

Whatever the moral force in the arguments for negotiated restraint by the supplying countries, they were with rare exceptions (the embargo on South Africa, for example) blithely ignored.

The rich countries have sold weapons (to recoup the economic costs of the oil shocks) to the countries with new oil wealth; to offset technologically-driven inflation in hi-tech weapons by extending production runs; and to buy political and economic influence. They have done it, they are still doing it and they will no doubt go on doing it.

The arms trade is, of course, deplorable and potentially dangerous. But the flaw in the moral argument for supplier restraint is that it overlooks both the East-West competition (if the US does not sell tanks and fighters, the Russians will); it implies that the industrialised countries have a paternalistic right to determine the defence requirements of sovereign countries; and it ignores the the developing countries for the voracious appetite of many of latest military gadgets.

FOREIGN AFFAIRS

The dilemma of the other arms race

By Ian Davidson

It also ignores the fact that arms production in the developing world has been growing by leaps and bounds. In the 1950s, manufacture of major weapons systems in the Third World was negligible. In the early 1960s it started to take off and by the early 1980s it was running at more than $1bn a year (in constant 1975 prices).

This is still a small proportion of world production of major weapons systems—perhaps no more than 1.5-2 per cent—and only about one-tenth of the value of major weapons imports by developing countries. But the growth has been steep and the number of producing countries has also expanded.

> 'Developing countries have evolved two strategies: add-on engineering and add-up engineering'

In the 1950s only a handful of countries were involved, mainly in the production of naval vessels: Argentina and Egypt, and to a lesser extent Colombia, India and North Korea. By now, 26 Third World countries produce major weapons, even if most of them are only in the business in a small way.

Israel and India, the two biggest, account for nearly half the total, and they are followed a long way behind by Brazil, Taiwan, Argentina and South Africa. Fighter aircraft are produced in eight countries, missiles in seven, helicopters and major fighting ships in six.

These facts (and many, many more) are contained in a new book from the Stockholm International Peace Research Institute called Arms Production in the Third World. It cannot be described as a light read. The nearest it comes to a sense of humour is in some of the chapter headings: Argentina—Schemes for Glory or Israel—High-technology roulette.

In general, its approach is relentlessly factual and analytical, and it is probably the most comprehensive study of the subject to have appeared to date. If you want to know about the history and structure of the armaments industry in India or Egypt, or need a register of major weapons projects in, and major weapons exports from the less developed world; this is the book for you.

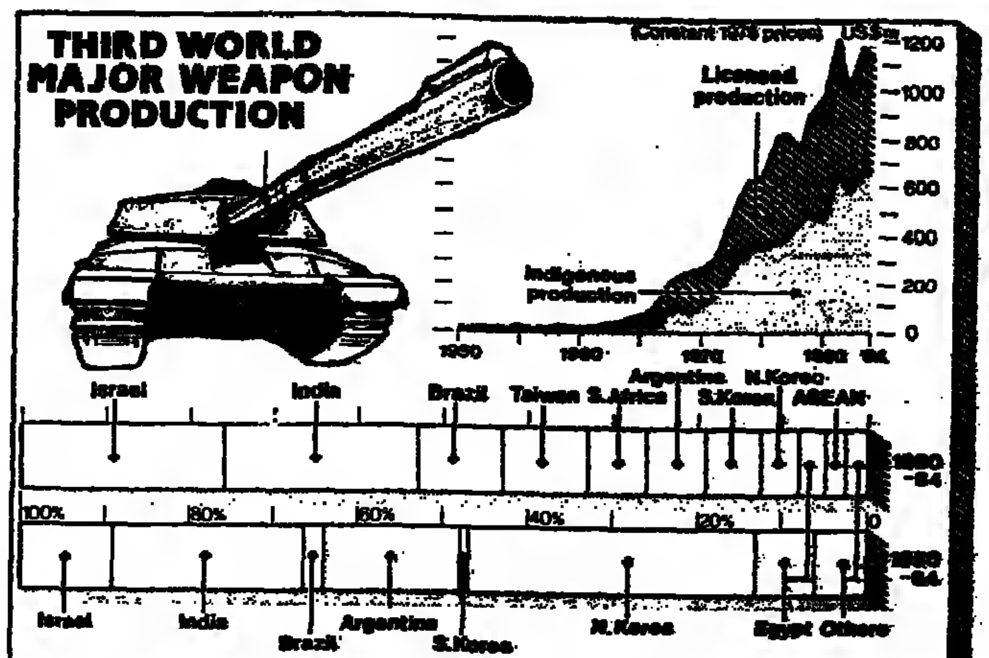
Needless to say, there is no single and simple paradigm that applies to all developing countries. There are far too many political, economic and industrial variables for that to be possible. But the editors of the institute's study do identify a number of common themes.

The first of these themes is that the motivation for getting into the arms business is almost invariably political: a quest for greater military, industrial and political independence. Examples are India in the 1960s, South Africa after the 1963 arms embargo, Israel after the 1967 war and Chile as a result of its isolation after the 1974 coup.

There are a few cases where companies, often foreign, have started arms production for purely commercial reasons but they are the exception. Even in Brazil, where the growth of its arms industry is now valued on economic grounds (the remarkable success of its export drive), the original motives were essentially political: regional status and rivalry with Argentina.

The political pressure for building an arms industry is often stronger when the military are in power: arms production increased in Brazil after the mid-1960s, in Argentina after 1976 and Nigeria in the mid-1920s. The institute's editors argue that arms production does not depend on a strong military influence on politics, citing India and Israel as examples of the contrary.

"The contention may be true in the case of India but in Israel, almost everybody is part of the military, at least part of the time.



Many countries have tried to justify their attempts to build up weapons production on industrial or technological grounds or on the argument that it would save foreign exchange. But the fact is that many Third World countries that are in a position to do so, like their counterparts in the industrialised world, regard weapons manufacture as a natural attribute of a fully-fledged state.

So the right question is not "Why do they do it?" but "What are the factors which make it possible for them to do it?" The first requirement identified by the institute is an adequately diversified industrial base with skilled manpower and significant research and development resources.

This helps to explain why Saudi Arabia and Libya, both of which would have strong political motives and plenty of money, have barely entered the game. Countries which have tried to go in for production of major weapons systems without a strong and technologically advanced civilian industry face enormous problems as Argentina did in the 1950s, Egypt in the 1960s and Peru in the 1980s.

The second limiting factor is the size of national demand for weaponry. Mexico, for example, has a reasonably large industrialised base but a small army and one of the smallest defence budgets in the world as a share of GDP (only about 0.5 per cent).

Nigeria, by contrast, is the richest and most populous country in black Africa and has the largest and best equipped army. The weakness of its arms industry is explained by the weakness of its industry generally, by the volatility of its politics and of its financial resources and by administrative incompetence.

The intersection of these requirements and limiting factors means it is extremely difficult for developing countries to get into the production of major weapons systems; it is even more difficult to achieve national self-sufficiency or technological independence. The surprise is not that there are still so few developing countries in the game but that there are so many.

> 'By now, 26 Third World countries make major weapons, even if in a small way'

Many countries have attempted a step-by-step approach to self-sufficiency from simple maintenance of imported weapons, through assembly and licensed manufacture towards indigenous design and manufacture. But the workability of this strategy is increasingly being undermined by reality, according to the study.

First, the pace of technological change is so fast that even highly industrialised countries find difficulty in keeping up. Secondly, and as a result, the very concept of self-sufficiency or "indigenisation" has lost much of its meaning: very few countries in the world produce their own aircraft engines.

Having suffered serious setbacks from its giant leap strategy in the 1960s, Egypt has downgraded its ambitions and now claims to be about halfway to self-sufficiency. India has for some time claimed to be on the verge of it.

As a result of the technology squeeze, which effectively perpetuates their dependence on technology from the industrialised world, developing countries have evolved two strategies: add-on engineering, which means taking a proven imported weapon system, copying it, and adapting it to local requirements; and add-up engineering, which means importing proven components and combining them in a new weapon system.

The second is more demanding; South Africa has succeeded in a few cases; Brazil, South Korea and Taiwan in rather more.

In general, though, Third World arms-production is running into a dilemma: what can be produced efficiently is not in demand, and products in demand cannot be produced. South Africa is obviously in this trap, as are Argentina and the ASEAN countries.

Israel alone, at very high cost and with great help from the US, has reached the top in several areas of military technology. Brazil, at a lesser level of technology, has avoided the dilemma through add-up engineering and a successful export drive.

But even if Brazil is the only model which could be realistically copied by other developing countries, it may turn out to be a special case, according to the institute. With the present stagnation in the arms trade market and increasing competition from industrialised suppliers, major weapons production may remain, for most developing countries, "an abortive, expensive and wasteful effort." This does not, of course, mean many of them will not go on trying.

Arms Production in the Third World, edited by Michael Brzoska and Thomas Ohlson. Sipri, [illegible] S-171 73 Solna, Sweden.

Lombard

Now for citizen ownership

By Samuel Brittan

IN Economic Viewpoint of March 6, I wrote about "worker capitalism" in the sense of greater employee financial involvement in his or her place of work. There is, however, a completely different concept which has been labelled "citizen ownership." This refers to the mass ownership of shares, not in workers' own companies, but in equities in general.

Citizen ownership meets the criticism sometimes levelled at employee shares that the workers have all their eggs—both their capital and their wages—in one corporate basket. But there is, of course, nothing mutually exclusive about the ideas. An employee can own some shares in his own company and also have some more widespread stake.

Despite the puritanical aversion to rising share prices—and despite the abuses which develop in bull markets—a high stock market is good for jobs and investment, so long as it can be sustained. But beneficial though the process is, the contrast between champagne corks flying in the City and the lot of people subsisting on benefits or low wages will give rise to a political backlash, as it did during both the Macmillan and Barber booms.

Moreover, the present upswing in profits and share prices shows signs of being part of a more lasting rise in the market-clearing rewards of capital relative to that of labour. If we want a return to high employment, policymakers should not interfere with these market movements, but instead try to disperse capital ownership, so that workers are also capital owners and gain on the equity roundabout what they lose on the wages swings. This requires a spread of ownership of assets more direct and marketable than participation in pension funds.

It is true that British Telecom has around 1.7m shares and that its flotation has been the main reason for the rough doubling since 1979 in the total numbers of private shareholders in all companies, which is now estimated at 2.8m.

But this still represents less than one taxpayer in every eight; and most Telecom shareholdings are extremely small. Instead, to the extent that privatisation issues have been on more favourable terms than a pure competitive tender, in order to attract the small investor, the effect has been regressive: a redistribution from the general body of taxpayers to the 10 or 20 per cent minority who are potential purchasers of shares.

The same remarks apply to the French Loi Monory, which provides tax concessions for small investors' share purchases, some version of which is always a candidate for inclusion in UK Conservative Budgets.

If citizen ownership is to have progressive effects on wealth distribution, privatisation shares need to be not sold but handed over gratis to all citizens. This is a suggestion I have put forward many times and has been more recently taken up by Dr David Owen. It has still more recently been taken up by Conservatives such as John Redwood, the former head of the No 10 Policy Unit.

This need not be pie in the sky. Privatisation shares have actually been handed over "free" in British Columbia; and in Alaska state oil revenues have been distributed pro rata to citizens. The British Government could at least experiment with one "free" issue.

Anyone who accepts a modest amount of inherited wealth could not reasonably oppose citizen shares on "something for nothing" grounds. A more intricate problem is how to proceed to give the citizen a stake in the mass of companies that have never been state owned.

An American international lawyer, Stuart Speiser, has donated prizes of $5,000 in the US and £2,000 in the UK for the best essays on citizen or "universal" share ownership. The British competition is administered by the Wider Share Ownership Council.

My main worry about citizen ownership is that the swing in rewards among different factors of production is not against labour in general, but against untrained labour and workers with obsolete skills or attributes. In that case universal capital-ownership will not concentrate help where it is most needed.

But it still has the great advantage—compared with complete reliance on social security for redistribution—that people are vested with definite property rights less dependent on the good will of governments and Parliament.

Letters to the Editor

US antitrust legislation

From Mr Edmund Dell.

Sir,—The UK's difficult air services relationships with the USA have always seemed to me to constitute a problem inherent in the proposal to privatise British Airways. But for one part of that problem, the impact of American antitrust legislation, the Government and British Airways have mainly themselves to blame. The Government by permitting British Airways to settle the Laker antitrust case out of court, and British Airways by itself taking the course of settlement out of court, in effect recognised the right of American courts unilaterally to interpret the Bermuda II air services treaty between the UK and the USA. The British Government should have made clear to the US administration that it did not recognise that right and, if necessary, should have submitted the matter to international arbitration under the treaty.

Admittedly the [illegible] of the British Government was somewhat compromised by a judgment of quite extraordinary obtuseness from the House of Lords, a judgment based on two propositions: that because Bermuda II is not part of the law of England it does not exist for their Lordships' purposes, and that in an interdependent world major British companies that trade with the US place themselves "voluntarily" under American jurisdiction, and therefore do not deserve any protection from the English courts.

There is, however, a wider question than the interpretation of Bermuda II and the privatisation of British Airways. It is absurd that international trade should be substantially regulated by the antitrust legislation and traditions of one country, even if that country happens to be the USA. American antitrust legislation is a non-tariff barrier to trade. The USA is advocating a further round of multilateral trade negotiations. Whatever else is achieved in those negotiations, is should be made perfectly clear to the USA that it will no longer be accepted that foreign companies should be forced into out-of-court settlements by the procedures, costs, delays, and penalties of American antitrust legislation.

Edmund Dell,
4 Reynolds Close NW11.

Supply and demand

From Mr K. Motley

Sir,—the London Metal Exchange exists to support the activities of those engaged in free commerce. It was, however, induced to be a party to a scheme to control the price and supply of a freely available raw material—tin.

For the LME the results have been disastrous.

Apart from "put not your trust in princes" (governments) it is once again a reminder of man's frailty when he attempts to control the laws of supply and demand. The world today is littered with such arrangements. Who is next?

K. Motley,
42 The Street,
Great Livermere,
Bury St Edmunds,
Suffolk.

Caring for churches

From the Reverend Lord Sandford.

Sir,—The Church of England does not, as Mr Amery alleges (March 10) "stand outside the planning laws." All changes of use and all alterations materially affecting the external appearance of churches or extension require planning permission. Nor are redundant churches, as Mr Amery claims, "completely unprotected by the listed building procedure." Listed building consent is needed for works of alteration or extension. It is not required for the demolition of a redundant church if (but only if) the demolition is carried out pursuant to a scheme made under the Pastoral Measure. Parliament absolved the Church of England from the requirement to seek listed building consent in these specific circumstances because it accepted that in the Pastoral Measure the Church already had an alternative; carefully worked out and effective statutory regime providing fully adequate safeguards for the care and control of its redundant churches.

Mr Amery is wildly wrong in saying that 1,043 churches have been demolished since 1969. This is, approximately, the number of churches which have ceased to be used for religious worship but three-quarters are still standing. Over half of them have been found new uses, often for the benefit of the wider community; 200 have been placed in the care of redundant churches fund, jointly financed by Church and state; 266 (not 1,043) churches have, it is true, been demolished but always after public notice and in most cases without controversy. No listed church has been demolished against the advice of the Advisory Board for Redundant Churches, an independent statutory and expert body which comprises people of national distinction in the field of conservation.

Far from a "rampant wave of demolition" a listed Church of England church has, as the independent National Heritage Monitor said, a chance of avoiding demolition three times better than a listed secular building.

Sandford
(Chairman, Redundant Churches Committee).
Church Commissioners,
1 Millbank, SW1.

Generating electricity

From the Economic Adviser, Central Electricity Generating Board.

Sir,—May I respond to two letters relating to the economics of generating electricity in your issue of March 3.

It is good news that, as Mr Ghalib reports, Hunterston B and Hinkley Point B are now performing creditably. The load factor that matters for economic appraisal, however, is the one that is calculated by reference to the design capacity of the station. This load factor has not been as near to 80 per cent as perhaps Mr Ghalib believes. The figures for the two stations have been:

	Hunterston B %	Hinkley Point B %
1982-83	61.4	58.3
1983-84	66.5	67.3
1984-85	72.1	75.7

Nevertheless, good figures.

Mr P. W. Wright says that it is more appropriate to make comparisons of the economics of contemporaneous generating electricity by calculating the costs per kwh over each station "life-time to date" than over its "whole life-time," ie until decommissioned.

In publishing its "Analysis of generation costs" the CEGB is careful not to express any prediction for a single method of comparison. Nevertheless, the method that seems least appropriate is "life-time to date."

This is because the "life-time to date method" assigns a residual value of the asset at the date in question as a consequence of using annuities over the stations life-time to convert the original cost into capital charges. I am sure that if Mr Wright were working out the capital cost per mile of a car he was selling he would use a residual value based more on the second-hand market for the car than one derived from an annuity.

There is not a second-hand market in nuclear reactors but the problem can be avoided by taking "whole life-time" comparisons. In the board's last analysis the costs per kwh of contemporary Magnox and coal stations were very close at 5 per cent real return and the Hinkley Point B advanced gas-cooled reactor (AGR) station was 2.45 p/kwh as against 2.64 p/kwh for the contemporary coal station at Drax. Neither comparison is much of a guide if you were trying to choose between a new AGR and a new coal station—even in the absence of a pressurised water reactor, the board's choice.

P. E. Watts,
15 Newgate Street, EC1.

Only sunset managers

From the Managing Director, Foseco (FS)

Sir,—It is time for journalists, politicians and other opinion-leaders in the UK to stop referring to the automotive and engineering industries as "low-tech." (Lex on GKN, March 13).

I find it astonishing that a line of semi-skilled workers assembling imported electronic components onto a printed circuit board can be referred to as "high-tech," while an enormous R and D effort into say, constant velocity joints, which lead the world in terms of technology and sales, can be lightly dismissed as wasted on a "low-tech" industry.

My company is engaged on developing products for foundries and steelmills which result in super-clean steel and lighter, stronger castings which can be relied on in safety-critical areas of vehicles of all types. How sad it is that the average journalist or politician, when faced with a casting which is the end result of massive R and D expenditure and sheer creativity, is unable to comprehend its value to manufacturing industry, let alone society!

Need I add that, in Germany and Japan, our products are being used in enormous quantities by industries that are not seen as "low-tech." How can they be when cars are being made and exported in record numbers?

While there is no denying that many industries are in decline in the UK, let us at least be honest about the reason why, their management is poor and in some cases fails to manage technology like it fails to manage its other resources. In other words, there is no such thing as a "sunset" industry, there are only "sunset" managers.

David W. Hobbins,
Drayton Manor,
Tamworth, Staff.

FINANCIAL TIMES

Monday March 17 1986

Terry Byland on Wall Street

Record run subdues doubters

AFTER last week's performance by Wall Street stock markets – which broke through records for turnover, weekly gains and volatility – the voices of the market's doubters have become subdued.

Both the stock and fixed-interest markets brushed aside sudden worries over oil prices, while confirmation of one round of cuts in US key interest rates were promptly followed by predictions of another. And, with quarterly bonus time now at hand the dealers, partners, directors and research analysts looked with delight at the level of market business.

But there are still contrary opinions to be *found in the marketplace.* At the height of Friday's astonishing upswing, which took the Dow from plus 2.5 to plus 23 in as many minutes as it takes to write it, Mr *Eliot Janeway, editor of the* Janeway Letter and a senior Wall Street guru, said: "The market is acting like coffee futures."

There is a strong case for saying that the stock *market* is overbought. A market vane survey of street traders showed 85 per cent bullishness, another indicated bearishness at only 18 per cent.

The spread between market averages and their long-term average, another of Wall Street's favoured measuring sticks, suggests, according to Shearson Lehman Bros, that the *Dow should* be consolidating between 1,650 and 1,750 in March-June.

And for the cynics several of the US business magazines have recently decorated their front covers with wildly bullish captions and cartoons – traditionally a sign that the end is nigh!

The stock futures markets are blamed for not only *feeding speculative* frenzy but also fuelling the wild gyrations in the indices themselves. The index futures are watched like hawks by the big investment institutions, whose positions in these markets look uncomfortably like unadmitted, and therefore unregulated, margin positions.

But futures-orientated speculation – if that is the word – has not been enough to save two of the market's leaders from deeper factors. IBM stock, which played a pivotal role in moving the market throughout the 1982-84 phase, is now 6.25 per cent under its peak

And General Motors has also begun to fall behind as it trims production and idles manufacturing plants in the face of falling sales.

Moreover, futures-orientated activity can only affect the broader market at second hand, yet the Nasdaq, Amex and broader-based Dow and NYSE indices have had no difficulty keeping pace.

Mr Frank North of Shearson Lehman Bros quotes interesting evidence of the behaviour of the retail investor. During February, Shearson's cash customer accounts were net sellers of Dow stocks and only modest net buyers of both the Amex and Nasdaq issues. Not the stuff of explosive speculative markets, but more like a sober investment strategy.

On deeper fundamentals, the stock market remains confident that low inflation, low oil prices and low interest rates will lead to higher corporate profits and economic growth.

But Wall Street is still surprisingly reluctant to translate its optimism on corporate profits into hard forecasts.

Some analysts have raised their sights and predict a gain in profits *of up to 20 per cent in fiscal 1986,* but there are still many whose forecasts have not changed significantly since the turn of the year.

E. F. Hutton estimates growth of 10 per cent in profits this year with a 12 per cent gain next year. Shearson settles for 10 per cent to 11 per cent this year. A market currently trading on 16 times historic earnings on the Standard & Poor's 400 stocks or a yield of barely 3 per cent, needs some good profits news – and IBM may not provide it this time around.

Yet, the stock market brushed aside last week's indications that the economy remains sluggish, with retail sales business slow and inventories and unemployment high. It preferred to concentrate on the sharp dip in producer prices, which merely underlined the fall in oil prices.

This week will bring a significant test of the "overbought" theory. Friday brings a multiple expiration date for March futures and options. When this happened – on three occasions – in 1985, it brought a wild sell-off in the stock market. But that was before the market caught its current raging attack of bull fever, so Friday could be a new experience.

But even a massive shake-out should not be confused for a shift in underlying confidence. Only a renewed rise in world oil prices, a surge in interest rates, or both together, could stop Wall Street in its present mood.

Oil price collapse boosts plastics industry profit

BY TONY JACKSON IN LONDON

EUROPE'S plastics producers are enjoying their best profits since the 1970s as a result of the collapse in the oil price. The price of naphtha, *the industry's chief raw material,* has virtually halved since the start of the year. Plastics prices have remained strong, however, and some producers are looking for price increases.

The strength of plastics prices is attributed to a shortage of ethylene, an intermediate chemical derived mostly from naphtha. Two large ethylene plants, one in Sicily and another in West Germany, are still out of action after being damaged last year, *and the new Shell-Esso* plant at Mossmorran in Scotland is still encountering teething problems, having been shut entirely for a week in January.

BP has announced a 10 per cent increase in its UK price for high density polyethylene, to around £550 ($803) per tonne. The company said: "The higher margins are coming at the ethylene end rather than at the plastics end. Although we make *both,* it is *BP philosophy* to keep profit centres separate." Industry sources were sceptical about BP's ability to secure the whole of the planned rise, however.

Shell Chemicals said: "We are seeing the benefits of tight supply. The chemical industry was notorious in the 1970s for using marginal supply to force prices down, and it may be that it has now learned its lesson." It was emphasised throughout the industry that margins were recovering from very low levels. Enichem of Italy said: "Margins are a little better, but there's such a long way to go."

Mr David Beynon, a director of *ICI's petrochemicals division,* said: "It is crucial that the reduction in costs is not given away in a reduction of prices. If the industry can get its margins up, there could possibly be a move back towards investment in the longer term. There is no way that investment could have been justified on the returns obtained until recently."

Producers conceded that the present situation could not last indefinitely. The damaged ethylene plant at Priolo in Sicily is expected to start up again by late April and Esso said the Mossmorran plant was now running very close to capacity.

Mr Beynon said: "There will probably be erosion of product prices along the chain, and there will still be pressure from over-capacity. But we can hope that low oil prices will also boost demand above the levels we had budgeted for. It is an interesting moment for the industry and it's important that we take advantage of it."

British Cabinet divided over Land Rover ownership issue

BY PETER RIDDELL, POLITICAL CORRESPONDENT, IN LONDON

THE BRITISH Cabinet disagreement over *the future of Land Rover* surfaced publicly at the weekend when Mr Nicholas Ridley, Transport Secretary and a member of the special ministerial committee on BL, warned against deciding the issue on the basis of disliking US ownership.

In a speech to West Midlands Young Conservatives Mr Ridley criticised Land Rover's profits and market share record, arguing that there was "enormous scope for improvement." Noting the large overseas investment in the Midlands, where BL is mostly based, he said the Government should not decide "the future of BL on the basis of disliking American ownership. We should decide on what is best for jobs and expansion."

Similarly, though without mentioning BL by name, Mrs Margaret Thatcher, the British Prime Minister, inserted a reference into an important speech in Felixstowe on Saturday that Britain had invested *more in the US than American* companies had in Britain.

Mr Ridley's comments contrast with the preference of a large number of ministers, including Lord Whitelaw, the leader of the Lords and Tory MPs, for at least a British component in the running of Land Rover.

Moreover, the negotiations with General Motors *of the US and other* potential bidders about the future of Land Rover and BL's trucks subsidiary are at a delicate stage.

The official hope is still that an outline decision can be reached in the next 10 days. Mr Paul Channon, Trade and Industry Secretary, is exploring the possibility of a compromise deal with GM.

The problems of handling the BL affair while retaining the support of most Tory MPs are concerning senior ministers as much, if not more than, tomorrow's budget.

Cabinet ministers have lowered their expectations about the overall *economic impact of the budget* though they believe Mr Nigel Lawson, Chancellor of the Exchequer, will show characteristic ingenuity to gain maximum political impact. They are hoping for public attention to be drawn away by some eye-catching measures on, for example, share ownership as well as a broadly optimistic picture of the inflation *and growth prospects.*

However, some Tory critics of Mr Lawson suspect he may have more freedom of manoeuvre than recent official suggestions. In particular, *supporters of Mr Peter Walker, the* Energy Secretary, believe his suggestion at the pre-budget Cabinet meeting last month that there could be leeway of over more than £2bn *may be vindicated.*

Otherwise, the main ministerial interest is less on tomorrow's measures than on the round of public spending decisions which will start *in the next few weeks.*

BIS issues bank risk guidelines

BY PETER MONTAGNON IN LONDON

NEW GUIDELINES for the regulation of hidden risks being incurred by banks as a result of innovation in the financial markets are published today by the central banks of the main industrial countries.

They are contained in *a study* prepared by a specialist committee of bank supervisors operating under the aegis of the Bank for International Settlements in Basle.

For *the first time the study* attempts to quantify and explain the risks incurred by banks involved in new kinds of financial instruments such as debt swaps, options and the underwriting of note issuance facilities in the Euromarkets. It also sets a standard series of definitions around which a regulatory structure can be built at national level.

The study identifies three main types of risk facing banks involved in this business which does not appear on their published balance sheets.

There is the danger that funds may not be available to meet all the commitments incurred under the new *instruments.* Or *banks may* face losses as a result of changes in interest rate and exchange rate levels. They may also unwittingly pile up large credit risks to one single *customer or group of customers.* Where credit risks are concerned, it suggests three basic categories into which each of the new instruments can be placed for regulatory purposes – full, medium and low risk.

However, the study falls short of recommending the actual levels of capital which banks should have to back up these new activities. This will be up to national authorities. Later this week the Bank of England is to publish a discussion paper *setting out the implications for* banks in the UK.

The committee says its work is only a preliminary assessment and its study is designed in part to *educate supervisory agencies in smaller banking* centres as well as to stimulate debate.

The study says that one of its main concerns is the lack of public *information on the extent to* which banks have become involved in financial innovation. "Many supervisors consider that the information about off-balance sheet exposures presently supplied in banks' published accounts is generally insufficient to give shareholders and depositors a reasonable picture of banks' activities," it says.

Japanese bank licensing in Switzerland. Page 19

Benedetti plan for Valeo stake

Continued from Page 1

worked closely with Indosuez, which *is itself an important* shareholder in his Cofide Italian holding group.

His bid coincides with efforts by Fiat of Italy to take control of two electronic car-component companies owned by Matra, the French defence and electronics group. The Fiat-Matra talks are understood to have been placed on hold to await the outcome of the general elections in France yesterday and the formation of the new government.

Opec debates cuts

Continued from Page 1

The larger proportion of diminished Opec output taken by Saudi Arabia, Kuwait and the United Arab Emirates since December has predictably emerged as another serious preoccupation.

In his interview, Sheikh Yamani emphasised the possible adverse consequences for the UK from the drop in prices by about half, not only for future North Sea development but also for existing operations. Among delegations generally there is genuine bewilderment that the issue has not been of any great political significance in the UK.

Some reassurance has been gained, however, from the apparent appreciation by the UK Labour Party of Opec's position and its implications for Britain. Last night it was unclear whether Saudi Arabia and Kuwait, both relatively well endowed with financial reserves, would bow to pressure for constraint on Opec's production as a whole and their own in particular.

Asked before the meeting started about another attempt at discipline, Sheikh Yamani replied: "We will explore all possibilities." At the moment, however, the Saudi Government appears intent on producing at 4.35m barrels a day

Congress set to block defence build-up

By Reginald Dale in Washington

CONGRESS resumes work this week on a US budget for 1987 that will almost certainly deny President Ronald Reagan one of his top policy priorities – a rapid continuation of his defence build-up.

Over the last few days the unreality of Mr Reagan's request for a real 8 per cent rise in military spending, with no increase in taxes, has become starker than ever. Congress, as it hammers out its own alternative proposals, has effectively taken the budget out of the President's hands.

Last week the Democrat-controlled House of Representatives categorically rejected the 1987 budget that Mr Reagan sent to Capitol Hill early last month by a vote of 312 to 12. That was mainly a symbolic vote engineered by the Democrats to embarrass their Republican colleagues.

More serious for Mr Reagan have been the positions adopted by his Republican allies in the Senate, where the Republican-controlled budget committee has not only voted down the Reagan budget but is now in the process of drafting a new version that undermines some of the President's most fundamental objectives.

Republican Senator Pete Domenici *of New Mexico, the budget committee* chairman and author of the new draft, openly admits that it will be unpopular with Mr Reagan. "It goes without saying a lot of people at the White House won't like it."

The Domenici plan sets a totally new and radically reduced yardstick for the Congressional negotiations on military spending by proposing a rise the defence budget at no more than the rate of inflation, estimated at about 3.5 per cent, or no increase at all in real terms. That would reduce Mr Reagan's *requested defence appropriation* for fiscal 1987, which starts on October 1, by $21bn – from $320bn to $299bn.

In addition, Mr Domenici proposes to raise $18.2bn in largely *unspecified new* revenue, as opposed to the extra $5.9bn in non-tax revenue suggested by Mr Reagan, so as to bring the deficit down to the $144bn required by the new Gramm-Rudman budget balancing law. Under the Domenici plan many of Mr Reagan's cuts in domestic programmes would become freezes at current levels.

Mr Domenici's proposal has still not won his committee's approval. The Democrats on the committee, in particular, still believe that his defence spending figure is too high and overestimates the likely inflation rate. But he hopes to have a budget through the committee by the end of this week so that the full Senate can act on it before the Easter recess begins on March 27.

Once the Senate has approved a budget the Democrat-controlled House Budget Committee plans to draft its own proposals, which will almost certainly call for even lower defence spending than the Senate version. After that House and Senate versions would have to be reconciled in conference negotiations – and the Administration would still try to negotiate its own input.

House Democrats would like to include tax increases to ease the impact of deficit reduction on domestic programmes. But they are loath to propose them in an election year unless, in the words of Mr William Gray, the House Budget Committee chairman, "there is a wink or a nod or a yes" from the White House.

Mr Reagan, however, *is still adamant* that he will veto any such proposal, and would clearly prefer to let the Democrats identify themselves with tax increases, as they did to their cost in the 1984 Presidential elections.

With his veto authority, and his power to bestow Presidential approval or disapproval as the November mid-term elections approach, Mr Reagan still has some strong cards in his hand.

THE LEX COLUMN

A shortage of rabbits

British budget forecasts are made *to be shredded as things go wrong.* The Red Book of one year is almost always irrelevant by the time its successor becomes available.

In the second parliament of a supposed medium-term financial strategy, the drift from budget to budget might have been expected to cause the Treasury some embarrassment.

This year the collapse of oil prices at least spares the Chancellor any personal need to blush at the shrinkage in his list of options. The virtual absence of real tax cuts in 1986 has been discounted in everything from the yield on long gilts to the ante-post odds on *the date of the next election.*

Last week the Chancellor was congratulate himself for leaving the original £3½bn window for possible tax-cutting. Even a year ago it was observed that the balance between revenues *and expenditures* might be upset from either side. Last year's pit strike (expenditure) has merely been succeeded by this year's oil-bust (revenue).

Even allowing for oil revenue to fall short of plan by anything up to £6bn, the fiscal drag from slightly higher inflation and strikingly higher corporate tax payments should recoup a substantial proportion. Some friends of the Treasury model would even look for the full £6bn, and scope for *a great deal more* in 1987-88.

Moreover, the drop from $25 to $12 oil price represents a large once-off injection into the economy. *The Chancellor* has *already done* the obvious thing and cast doubt on the amount of fiscal room this leaves him.

Unthinkable

The *unthinkable* that has overhung Mr Lawson's prevous budgets has come with a vengeance to haunt his third effort. To prepare the final draft of a budget speech over the weekend of an Opec meeting does not appear to make life any easier.

Perversely, it may nevertheless be the Chancellor's salvation. For the first time since he came to office Mr Lawson can hope to advance calculations that do not risk being sapped by the cartel's failure to restrict output. The fortifications have already fallen in.

Last year's assumption that 1986-87 would show £11.5bn of North Sea revenue could easily be proved wrong by as much as 50 per cent. Such wildness actually makes it simpler to say something sensible this time.

Since this budget, unlike that of Saudi Arabia, cannot be cancelled, it is only necessary to identify a plausible range of oil assumptions, avoiding spurious precision.

Most markets would accept a central combination of the mid-teens in dollars per barrel at about the current exchange rate. Whatever the oil forward markets are saying, the experts themselves know no better.

On one view the Chancellor can congratulate himself for leaving the original £3½bn window for possible tax-cutting. Even a year ago it was

If cuts in oil prices are to be brandished as the *free-market* substitute for tax cuts there is still a question how much of the benefit should accrue to shareholders in BP and Shell and how much to the public at large.

If the oil companies are permitted to maintain high margins on the forecourt then the macroeconomic stimulus will be correspondingly slight – and mostly vanish in old-fashioned tax avoidance drilling upstream.

In any case the Treasury *will* obviously want its share to make up the upstream shortfall. But greed at the petrol pump would persuade the companies that they might as well hold prices where they are, or even raise them.

That apart there is no reason to expect anything other than the usual over-indexation of imposts on publicans and sinners. Excise duties on drink and tobacco remain as obvious a budget butt as ever, though a tax on the purchase of tobacco and whisky conglomerates would probably have a higher net yield and popularity.

Stamp *duty,* the City's traditional grouse, can in the present public mood only be traded in for something equally unpalatable. A more flexible turnover tax on securities trading or other financial transactions is probably the best that can be hoped.

A specific duty on appalling young men would be generally welcomed, except by the West German motor industry. Last year's changes *in national insurance have done* nothing noticeable to brake the rise in City salaries – and the Chancellor may have another go.

The general incredulity which *meets references* to the MTFS perhaps suggests that the Chancellor can no longer accomplish anything by moving monetary goalposts. Indeed the game that the internation*al bond markets now seem to be* playing does not require the field to be marked out with the old tramlines. *The full* introduction of a sterling commercial paper market, which could not come too soon, makes nonsense of broad monetary targets anyway.

The best approach may be for the authorities to go along with this by staying in the rear of the interest rate reduction round, and let the strain of the oil balance be taken out of the tax-cut account.

Sterling and the gilt-edged market may get on better in those circumstances than under a scheme where misleading panic signals are transmitted by every divergence from the declared monetary norms. This would be consistent with the trend in Mr Lawson's statements over the past year in any case.

Palliatives

As the French political scene settles down after yesterday's election, we may enter a period when the Government can look again at the arguments for joining the EMS. If explicit exchange rate discipline were to reinforce the broad message of the budget, so much the better, though the official demise of £M3 would not in itself make membership a necessity.

If this sounds like a dull budget, that is no accident. The element of surprise was much reduced in Mr Lawson's second budget last year and is bound to be slimmer still this time. All that seems to be left for tomorrow is the jack-in-the-box emergence of Lord Young, bearing his own despatch box of palliatives for unemployment.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	15	59	Dubrovnik	S	14	57	Malta	R	13	55	Rhodes	F	19	66
Algiers	F	16	61	Edinburgh	C	8	46	Manchester	R	8	46	Rio de J'o	—	—	—
Amsterdam	S	8	46	Faro	S	17	63	Manila	—	—	—	Rome	S	16	61
Athens	F	10	50	Florence	S	16	61	Melbourne	S	20	68	Salzburg	C	6	43
Bahrain	S	23	73	Frankfurt	F	10	50	Mexico City	—	—	—	San Francisco	C	8	46
Bangkok	—	—	—	Funchal	F	15	59	Miami	C	18	65	Seoul	S	6	43
Barcelona	S	14	57	Geneva	S	10	50	Milan	S	3	55	Singapore	F	30	86
Beirut	—	—	—	Gibraltar	F	15	59	Montreal	C	2	36	Stockholm	C	−1	30
Belfast	F	9	48	Glasgow	C	8	46	Moscow	S	5	41	Strasbourg	S	11	52
Belgrade	S	5	41	Guernsey	R	7	45	Munich	S	7	45	Sydney	S	20	68
Berlin	C	4	39	Helsinki	C	−3	27	Nairobi	S	28	82	Taipei	—	—	—
Biarritz	S	20	68	H. Kong	R	23	73	Naples	F	18	64	Tangier	S	17	63
Bombay	C	34	93	Innsbruck	S	12	54	Nassau	F	28	82	Tel Aviv	S	15	59
Bordeaux	S	17	63	Inverness	C	9	48	New Delhi	S	23	73	Tenerife	C	20	68
Brussels	S	10	50	Islamabad	—	—	—	New York	C	7	45	Tokyo	F	15	59
Budapest	C	2	36	Istanbul	F	7	45	Nice	S	15	59	Toronto	C	1	34
B. Aires	S	28	82	Jakarta	—	—	—	Nicosia	—	—	—	Tunis	S	16	61
Cairo	R	21	70	Jersey	C	9	48	Oporto	C	13	55	Valencia	S	16	61
Cape Town	F	21	70	Jo'burg	F	16	60	Oslo	Sn	−2	28	Venice	S	12	54
Caracas	—	—	—	Lima	—	—	—	Paris	S	11	52	Vienna	F	6	43
Casablanca	C	17	63	Lisbon	S	15	59	Peking	S	9	48	Warsaw	S	5	41
Chicago	C	1	34	London	S	12	54	Prague	S	9	48	Washington	F	9	48
Cologne	S	10	50	Los Angeles	R	9	48	Reykjavik	C	0	32	Zurich	S	3	37
Copenhagen	S	0	32	Luxembourg	S	8	46								
Corfu	S	15	59	Madrid	S	13	55								
Dallas	F	8	46	Majorca	F	16	61								
Dublin	F	11	52	Malaga	C	16	61								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

French poll surprise

Continued from Page 1

trist political groups, said it always led to instability.

The election, which took place in the first warm spring sunshine France has experienced this year, was held under the newly introduced system of proportional representation. Voters were asked to choose between lists of candidates put forward by the different parties for each of the departments in metropolitan France and in the overseas territories.

One effect of the system was that candidates who head the party lists in the departments had known long before yesterday's poll that they would be elected. Of the 577 seats in the new Assembly, over 450 had been effectively allocated before voting began.

The system has enabled the Socialist party to get virtually all the ministers in Mr Fabius's government re-elected. The party will thus have an experienced team in the new Assembly although it is now in a minority.

Mr Jacques Chirac, who with Mr Raymond Barre took the lead in the Opposition's campaign, has made clear that he wants a new government to move fast in implementing its economic programme – thus differentiating itself from the Socialists.

SECTION III

FINANCIAL TIMES SURVEY

International Capital Markets

After a record year in 1985 the market has embarked on a remorseless quest for further expansion at a time of cut-throat competition. Publicly bankers rejoice in an unbridled sense of opportunity. Privately they worry about pitfalls that may lie ahead

Struggle for slice of the global market

By Peter Montagnon

GROWTH OF business in the international capital markets has become virtually unstoppable. At least that is the common view in the banking community after another record yeer in 1985.

Swept on by a tide of liberalisation in domestic markets new business volume surged 32 per cent to a new all-time bigh of $261bn. Particularly atriking was the explosion in the Eurobond market where new issue volume rose 66 per ceot to $135bn, according to figures compiled hy the Organisation for Economic Co-operation and Development (OECD).

The growth of business has opened up new vistas for the shape of the market as a whole. International bankers now dream of a global market in which all types of security, equity as well as debt, can be traded around the clock, free of national barriers and time zone constraints.

If this happened the Euromarkets which started off 20 years ago from a narrow base, serving the dollar investment needs of retall investors in Europe, could be said to have truly come of age. The ideal is one world market pushing remorselessly forward as it scales new pinnacles of efficiency, sophistication and geographic reach.

Yet for all the unbridlad sense of opportunity that abounds in the marketplace of today, some bankers are also privately seeking to inject a note of cantion. The past two yaars have seen business growth and structural change at a pace unprecedented in the brief history of the Euromarkets.

Competitive pressures have increased as more and more banks have sought to climb aboard the bandwagon in securities markets. Soon, and perhaps faster than many people tbink, a process of consolidation could set in.

No one can deny the great stride forward made by the Eurobond market in 1985, hut it is equally easy to see two strong reasons for this which may not be felt so forcibly in 1986.

The first was the sleady decline in interest rates which saw US Treasury bond yields fall decisively below 10 per cent in the early days of this year and made fixed rate bonds particularly easy to market in 1985. The second was the growing sophistication of the floating rate note market which encouraged many borrowers to refinance their debt on ever more favourable terms, boosting the volume of new business by more than $10bn.

It is hard to see these factors asserting themselves so strongly again. Despite the decline in oil prices, many believe that interest rates may not have mnch further to fall. The dollar has fallen sharply on exchange markets, and this has clearly deterred some European investors from huying dollar bonds.

While institutiooal inveatora have atepped up their huying during recent years, relail investors have stayed on the sidelines. Overall the rise of hond nrices in Europe has lagged bebind that of New York and, as the differential hetween the two markets haa wideoed, Wall Street's domestic market has hecome more attractive to horrowers than before.

Bankers in the floating rate nota market meanwhile complain that both borrowers and investors have lost interest. In part this is a natural consequence of the general declioe in interest rates wbich has focused fresh attention on fixed rate markets, hut it also reflects a flattening of the short-term yield curve which makes it harder for banks to finance boldings of floating rate notes at a profit.

In the fixed rate bond markets mucb depends on the trend of interest rates. If they stay low, or even fall further, there could be a flood of borrowers seeking to refinance their deht on favourable terms. Italy did just this in January when it launched two fixed rate bonds totalling $350m and carrying a fixed rate of interest of 8¾ and 9¼ per cent.

The danger is that interest rates could rise again. Then

hond which are now being offered at ever finer terms in the market could become much harder to sell. Already the explosion of business over the past few years has led investment hanks to carry record inventories of paper on their books.

Professional trading of securities between securities houses has reached fever pitch. Credit Suisse First Boston, the market leader in the Eurobond market which lannched 113 securities issues last year, reports that its daily group turnover exceeded $2bn in 1985, almost douhle the level of the previous year.

The potential for losses is huge if the market ever went into reverse. That could drive out of husiness many of the smaller bouses now trying desperately to carve out a nicbe in the securities business. If consolidation did become inevitable one clear consequence would be a leaner market under the control of a few well-capitalised big houses.

Of course, the markets for securities in currencies other than the dollar now offer increasing scope for husiness. Spurred on by the trend towards liberalisation in Tokyo, issuance of Euroyen honds has now hit record levels. According to OECD, issuance of Euroyen bonds rose to the cquivalent of $12.9bn last year from just $6.1bn in 1984.

Taken together with Samurai honds issued on the domestic market, this means that the yen sector has now outstripped issue volume in D-marks, adds Salomon Brothers, the US investment bouse. The German sector is growing too, since far-reaching measures ancunced a year ago to open np the market and add new instruments like floating rate notes and zero coupon bonds.

In other words, the decline of the dollar has placed new emphasis on busioess in other sectors. The French fianc Eurobond market has reopened; last year saw issues in a range of new currencies like the Danish crown and even Itallan lire. A whole new market has grown up in Eurobonds denominated in Australian and New Zealand dollars.

An obvious response to npsets in the dollar market would thus he to reinforce the trend to doing business in other markets.

That may not, however, be quite as easy as it sounds. Despite the trend to liberalisation, harriers have not been fully broken down. Turnover tax in Germany, for example, impeded tbe development of a profitable floating rate note market there and an underlying problem is that real credit demand from end-users rem··ins very weak.

A study by the Basle-based Bank for International Settlements last summer hrought together for the first time figures for net lending in the international hanking and capital markets comhined.

They sbowed that in the first half of 1985 net new finance provided to non-bank borrowers was only $70hn. At this level husiness is still way down on the early years of the decade. In 1981, for example, total net lending was $190bn.

The syndicated loan market has suffered in this respect far more than the bond market.

According to the OECD, total international bank loans fell again last year to just $43.2hn compared with $56.8bn in 1984.

CONTINUED ON PAGE 4

Fresh hopes of sustained growth and lowering of inflation

Elusive goals now in sight

World Economy

PHILIP STEPHENS

THE INDUSTRIALISED world suddenly seems an altogather more cheerful place. The coincidence of booming stock and bond markets attests to a growing confidence that tha elusive goal of policy-makers for more than a decade — sustained growth and low inflation — is at least within sight.

The collapse in the oil price since last autumn has led to e general ratcbeting up of forecasts for growth in the major economies this year and next; the predictions for inflation meanwhile bave been moving in the opposite direction.

In parallel, the dollar bas experienced a rapid, but so far controlled, descent to levels whicb offer a plausible bope that some of tha major imbalances in the world economy can be slowly reversed.

Encouragement

The US currency has lost more than 20 per cent of its value within a year. The inflationary dangers for tha US bave been neatly offset by the near-halving of the oil price. The prophets of doom who spent much of last year warning of the borror of a dollar "crasb landing" have been embracing the now more fashionable optimism.

Equally encouraging, tha U-turn in US policy whicb paved the way for the Group of Five accord to act against the dollar appears to have usbered in a more co-operative phase in economic decision-making.

There are still frictions and irritations between governments—Japan for example could face a rough rida at this year's world economic summit in Tokyo in early May—but there is an increased coberence in international policy.

"While developing country debts and international current account imbalances continua to give cause for concern, there is now clearly expressed co-operativa intent among the major countries to address these issues," is how the Organisation for Economic Co-operation and Development put it in its latest Economic Outlook.

No one is suggesting that this window of opportunity for the world economy is not without its cracks. Outside tha US and Japan, unemployment seems set to remain at levels implying heavy costs in hoth human misery and wasted resources.

Tbe US Budget deficit still looms as a potential threat to durable financial stability, while the US banking system has taken a further knock from the slump in oil prices. The dollar could yet overshoot.

The J-curve effect of currency depreciations suggests that the US trade deficit will get worse before it gets better. Japan and West Germany meanwhile will see their buge current account surpluses rising even further over the short term.

In the developing world lower oil prices are a mixed blessing. For beavily-indebted oil producers like Mexico and Venezuela the fall in the price bas placed immense new strains on their ability to repay western banks.

Thece will be offsetting benefits for oil importing nations in the Third World — Brazil is a good example. But the problem is that the losers get burt much faster than the winners gain.

Those important caveats apart, however, the overall prospects do look far more encouraging than could have been expected even six monlhs ago.

What the slump in the oil price has done ia to generate a buge transfer of income first from Opec members to the industrialised nations, and tben within economies from oil producers to other industrial sectors and individual consumers.

The London Business Scbool, for example, estimates that each $6 per barrel drop in the oil price switches around $100bn to oil consumers throughout the world.

Provided that governments in industrialised nations do not react to the stimulus to demand by tightening their fiscal policies the impact is similar to a large cut in indirect taxation —faster growth and lower inflation.

Of course, there are influences working in the other direction. Opec mambers will be forced to cut their imports in line with the reduced value of oil exports, hitting European exports in particular.

There is a general expectation, however, that the increase in demand in the industrialised world will more than outweigb the fall among oil producers. Tbe result sbould ha an overall boost to world trade and growth.

Tbe OECD estimates that each 10 per cent fall in the oil price increases the average GNP of its 24-member countriea by abont ¼ percentage point a year later. It reduces the general price level by about ¾ per cent.

Markets soar

It is calculations like that which have sent the stock and bond markets soaring. Manufacturers will recelva a boost to profits from the combination of lower costs and bigber demand. Nominal interest rates bave already stsrted to tumble in line with lower inflationary expectations.

That in turn bas led forecasters to change their perception of the likely profile and duration of the present world recovery.

In the middle of last year the standard forecast was for a slowdown in the pace of growth this year and a further easing in 1987. Now many independent and government forecasters see the prospect of faster economic expansion in 1987 than in 1986 desptte the maturity of the present cyclical upturn.

Britain's National Institute of Economic and Social Research, for example, is expecting that the avearge growth rate of the OECD economies will be 2.9 per cent this year and rise to 3.2 per cent in 1987. World trade, which has been relatively sluggish since the surge in 1984, should pick up again and grow by 5 to 5½ per cent both this year and next.

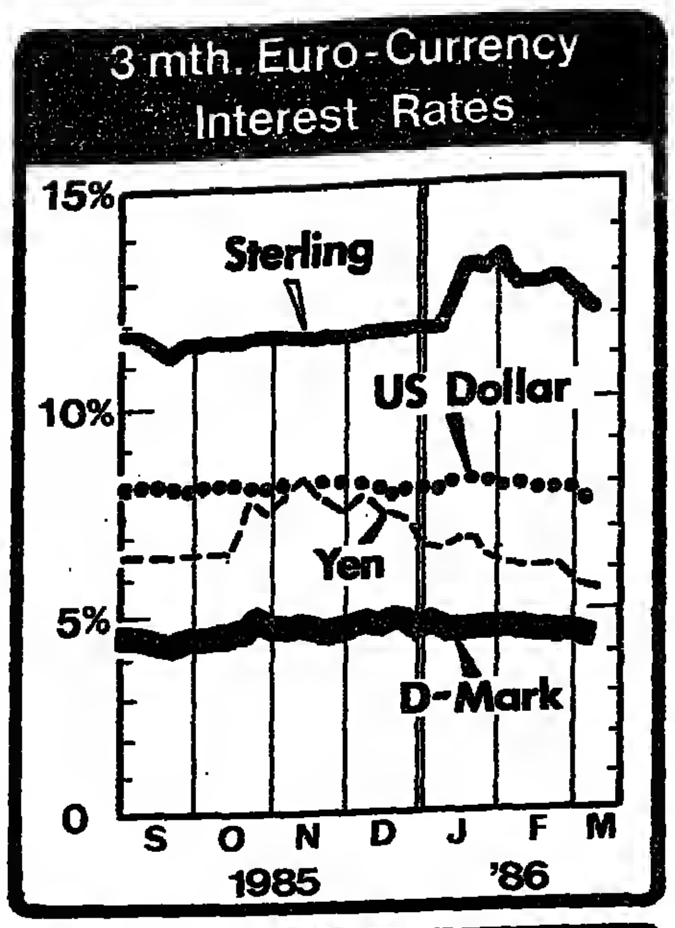
At the same time, the institute predicts, the average rata of consumer price inflation should pick up again and grow by 5 to 5½ per cenl both this from 4.6 per cent in 1985.

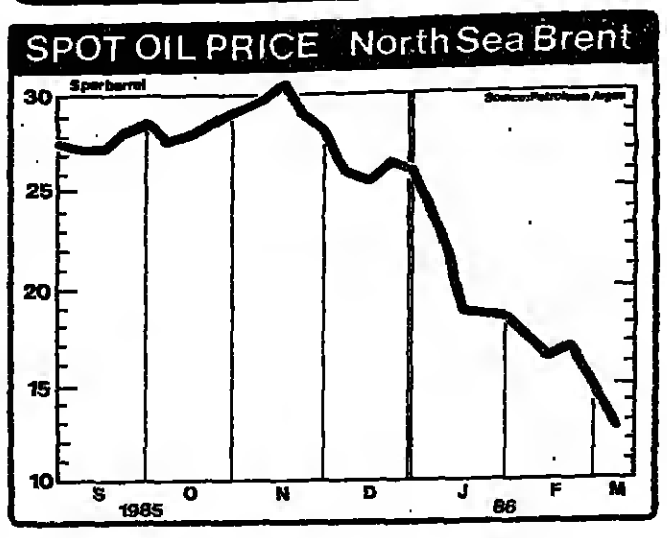
That would guarantee the longest period of disinflation since tha war. The pattern of growth between the industrialised countries should also be more balanced, narrowing the sharp divergences seen between Europe, Japan and the US over the past few years.

The West German economy, for example, now seems set to grow by close to 4 per cent, outpacing the US and perhaps even Japan. France, wbicb bas achieved remarkable success in curbing inflation, can also expect a significant improvement compared with the last two years, even though growth is still likely to be below 3 per cent.

For the US, the National Institute is forecasting a rise in output of just over 2.5 per cent in 1986, but an acceleration in 1987 to 3 per cent. Japan, which is anxious to deflect international criticism of its soaring trade surplus ahead of the May summit, is promising 4 per cent growth.

Those growth rates in the industrialised world, however, will not be enough to make a significant dent in tha debt problems of Latin American countries, particularly Mexico. It is their predicament wbich is likely to provide tha main challenge to policymakers over the next few months.





Growth of GDP in OECD countries

Percentage rise in volume, annual rate

	US	Canada	Japan	France	Germany	Italy	UK	Others	Total	Total excluding UK	Western Europe
Weights in 1984	35.0	3.4	14.8	10.2	10.2	4.9	6.8	16.6	100.0	93.2	44.6
1973-83	1.8	2.2	3.7	2.3	1.6	1.8	1.0	2.0	2.1	2.2	1.8
1984	6.6	5.0	5.1	1.6	2.7	2.6	1.8	3.0	4.6	4.8	2.2
1985 (estimate)	2.3	4.5	4.2	1.0	2.5	2.3	3.5	2.7	2.8	2.7	2.4
1986 (forecast)	2.6	3.0	4.0	2.5	3.7	2.8	1.8	2.9	2.9	3.0	2.8
1987 (forecast)	3.0	3.0	4.5	2.8	3.5	2.8	1.4	3.4	3.2	3.3	2.9

Source: OECD and NIESR estimates

Market surprised by oil price fall

US domestic bond market

TERRY BYLAND

THE PAST 18 months bave seen a high-powered rally in the US bond markets which has been acclaimed as a fundamental shift in perceptions of economic growth and of inflation—the kind of volcanic change that comes only once in a decade, if that.

The reaction of yields in the credit markets to the Group of Five plan to lower the dollar level, the collapse of world oil prices, and the political moves to curb the Federal deficit bave indeed been substantial.

Over the past 21 months, yields on long term US Treasury bonds have fallen by about 530 basis points, returning to the 8 per cent range last seen eight years ago. There has been substantial demand for Federal bonds from outside the US, particularly Japan, as global investors first sensed, and then responded to the Group of Five plan disclosed at the end of September, to bring the dollar down from its dangerons peaks.

The powerful rally in bonds was not quite the unbroken, unstoppable avalanche that it may appear in retrospect. Like most carefully-laid plans, the strategy was to some extent overtaken by events not foreseen by the generals.

Tbe collapse of Opec, together with the world prices it sought to sustain, provided e key support to the Group of Five plans by smothering fears that a tumbling dollar migbt end by rekindling inflation in the US.

While the crumbling of Opec's united front and of world oil prices bad heen widely predicted througbout 1985, the final collapse took the US bond market, and many others, by surprse. Only in mid-January, signalled by successive routs in oil futures in New York, did crude prices begin to plunge headlong towards their present levels, and acrimony broke out in Opec.

It is worth bearing in mind that it was this collapse in oil prices which convinced investors that inflation had been dealt its death blow and this gave bond prices their final upward thrust. Not all at once, however. There was a brief frisson of nervousness for the whole financial structure as tha analysts took another cold look at the Latin American oil country debts banging menacingly over the US banking system.

Such fears soon abated, however, and the plunge in yields at the longer end of the bond market indicated that it was the improved outlook on inflation which was driving the markets.

Short-term rates have been mucb slower to fall, and the 7 per cent rate on three montb T-bills remained solid until the market began to scent the latest cut in Federal discount rate from 7.5 per cent to 7 per cent.

The unwillingness of short-term rates in the US largely reflects the Federal Reserve's abiding concern over inflation, and the priority it continued to award anti-inflation policies during tba period under review.

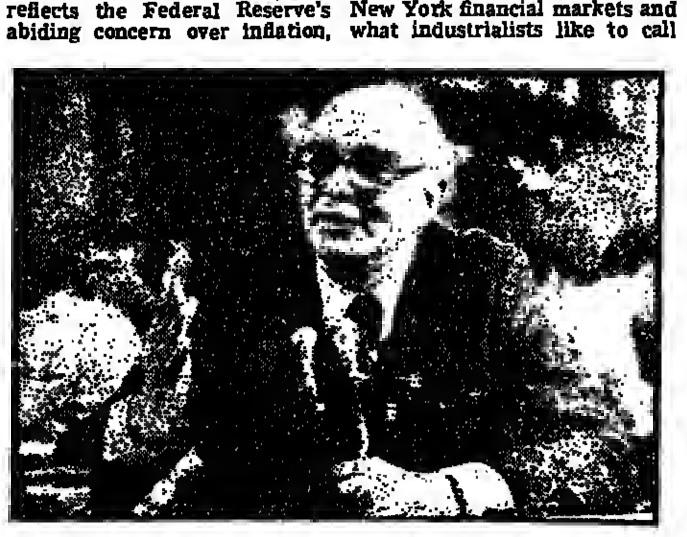
Even after the US markets had begun to foreshadow discount rate cuts in Germany and Japan, there was still considerable doubt as to whether the Federal Reserve would follow suit. Only as US economic indicators began to signal renewed sluggishness did the credit markets dare to believe tbat the Fed would ease its grip.

The accolade came when Mr Paul Volcker the chairman of the Federal Reserve, told Congress in his annual report that inflationary expectations may be receding. "The evidence is that we may be working through lhat (the effects of an inflationary period)," be said, to the almosl audible accompaniment of cheers of relief from ihe bond markets.

The flattening in the US credit market yield curve which resulted from investors' concentration on the longer end of the market has already shown itself in a massive restructuring of US corporate debt.

After a long period in which US corporations eschewed long-term debt, preferring to finance themselves through commercial paper, and short-term bank credits, the debenture markets have been hit by a buge demand for 20 or 30 year money—by as much as $10bn a week at the peak of the flow.

This heavy commitment by the US business corporations is perhaps the most significant evidence to date of the strong change in perceptions of the outlook for inflation and corporate cash flows. It has clinched the links between the New York financial markets and what industrialists like to call "the real world." It is hard to see how the process could be reversed without an equally substantial reversal of investment attitudes.



Mr Paul Volcker, chairman of the Federal Reserve: cheers of relief from bond markets for his views on lower inflation.

Financial markets are nothiog if not fickle, so it is not surprising that oil prices have taken over much of the attention that was wont to focus on the federal deficit, which was seen as the fount of all evil and of inflation, in particular. There has been an equally significant shift in Wall Street perceptions on the federal deficit as the Gramm-Rudman-Hollings proposals have struggled with the legislators, and more recently, with the courts.

Wall Street believes that the chances of effective political action to curb the federal deficit are now greater than ever before, even if progress towards that end is confusingly slow. But bond market traders no longer award the highest priority to the anti-deficit battle: the fall in oil prices is seen as a far more effective curb to inflationary pressures.

Only the municipal bond sector has suffered seriously from the political battle over the federal budget, and the damage to this sector could be permanent. The House resolution HR 3838, which proposes significant changes in tax exempt status for municipal borrowers, has virtually cboked off the flow of new paper into the municipal sector.

HR 3838 proposes to reclassify municipal debt, with some issues classed as ineligible for tax exempt status and others permitted only under a volume ceiling set by the federal authorities.

Until the smoke clears, state and local authorities are finding it impossible to fund without taking legal advice and also paying investors a small premium for their risk. If HR 3838 becomes law, then the market will have to live with smaller numbers of potential borrowers.

As the US bond markets settle down after the latest co-ordinated moves to lower interest rates by the G-5 countries, Wall Street will be watching carefully for the reaction of foreign investors.

The federals market still expects to face record fundings by the US Treasury during the remainder of this year. Over the past 12 months, Japanesa and European intarest has been crucial to the Treasury's funding programmes and there bave been intermittent "scares" that the Japanese were backing away, or, alternatively, that new mutual funds were setting up in Japan for the express purpose of investing in US treasuries.

The original G-5 move against the dollar raised some fears that the US currency might fall into an unstoppabla slide which would threaten the American credit markets as well as much more. Such fears have been reduced, although Mr Paul Volcker, in the same address to Congress in wbich be praised the anti-inflation trand, also warned that a renewed downward thrust in the dollar could still undo all the good work.

The latest co-ordinated G-5 move, aimed at bringing rates down across a broad front, is expected to shelter world currencies from a repetition of 1985 when US interest rates kept the dollar too high for too long.

With world oil prices still flat, and perhaps beaded even lower, the US bond markets continue to take an optimistic view on domestic inflation. Only a substantiel fall in the dollar could upset the attractions for foreign investors of the US credit markets. After spending much of the opening months of 1986 watching oil prices, New York bond traders may be spending more of their time watching the currency markets.

هكذا حسنه بالأصل

Hopes pinned on Baker initiative

World debt crisis

PETER MONTAGNON

CONCERN ABOUT Mexico's ability to service its $97bn foreign debt in the wake of plunging oil prices has once again thrust the four-year-old developing country debt crisis into the economic limelight.

Since the start of this year worries have been growing both in and outside the international banking system that more radical solutions than those applied up to now may soon be inevitable. For the first time, with a major debtor, this could include some form of interest relief.

It is easy to see why Mexico has thrown the old methods of dealing with the problem into disarray. The lower oil price will cost the country some $4bn in lost export earnings this year. It has also upset the country's budget calculations as nearly half its fiscal revenues come from oil.

As a result, the previous "cure" of steady fiscal adjustment accompanied by limited amounts of new money is much harder to apply. The fiscal adjustment is suddenly much harder to manage and the fresh finance too much to expect of a jaded international loan market.

It is also clear that pressures from the debtors were mounting even before the oil price drop pushed Mexico once again into crisis. World trade grew much more slowly last year than in 1984.

As a result, debtors found it harder to generate the export revenues they needed to meet their interest bills. With the exception of Brazil, whose growth rate surged to 8 per cent, most faced a setback in the pace of recovery that had started in 1984.

As interest rates remained very high in real terms the debtors also found themselves confronted with substantial net capital transfers to the developed countries. This combined with slow growth left many debtors facing tough internal political strains.

By the second half of last year calls were growing for some more palatable approach by the international community to their problems and Peru's declaration that it would devote to debt service only 10 per cent of its export receipts fired many people's imagination.

At the very least, ran the argument in the debtor countries, debt service costs should be linked to a country's capacity to pay.

Enter Mr James Baker, US Treasury Secretary, with his famous initiative on the debt crisis launched at last year's International Monetary Fund annual meeting in Seoul, South Korea. The initiative was widely seen as a bold gesture designed to deflect many of these problems.

For the first time since the crisis started the US Government was apparently saying that it really cared about the fate of the debtors. Mr Baker's initiative—which calls for continued adjustment by the debtors in return for $20bn in net new loans from commercial banks over the next three years matched by a similar amount from official development banks such as the World Bank—was careful to place a new emphasis on the need for growth in debtor economies.

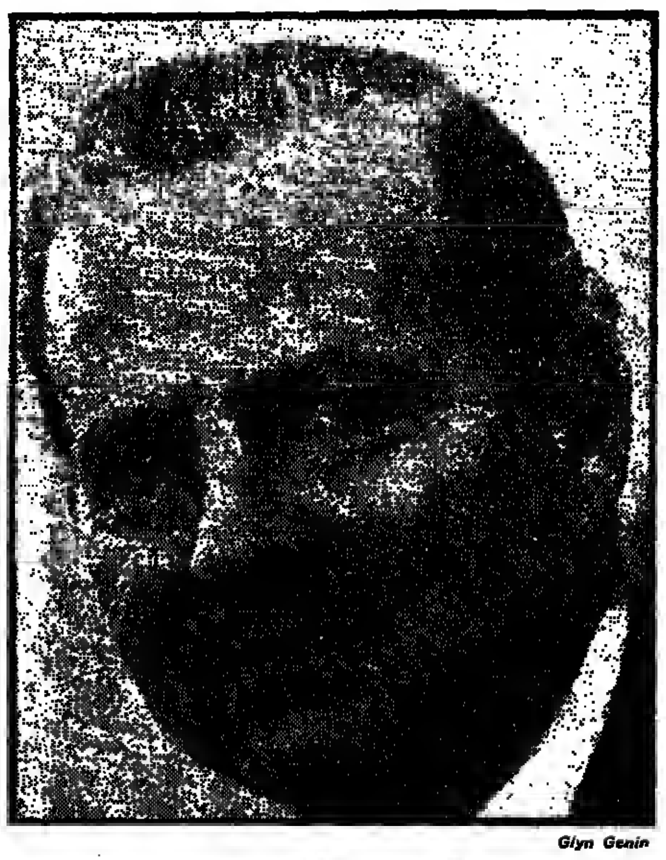
Baker package

This, it was hoped, would offset what Mr Eduardo Wiesner Duran, IMF Western Hemisphere Director, has called the feeling of fatigue over economic adjustment.

Nearly six months later, however, it is still not clear whether Mr Baker's initiative was an empty gesture, or a meaningful shift in official thinking on the problem. Supporters say a lot of work has been going on behind the scenes and the first "Baker packages" for individual debtor countries will soon be unveiled.

Detractors point to the lack of enthusiasm among commercial banks for fresh lending to developing countries. They say that Mr Baker's initiative carefully avoids committing the taxpayer in the industrial countries from shouldering any of the burden.

The US Government's failure since the initiative was launched to nominate a new and forceful president for the World Bank to succeed Mr Tom Clausen, who retires this summer, suggests that the initiative was more empty rhetoric than a practical concrete solution.



Glyn Genin

Mr James Baker, US Treasury Secretary: his initiative seen as a bold gesture

Meanwhile a host of problems is looming on the agenda. First there is Mexico which is now in the middle of negotiating its financing needs for 1986. Then there is Venezuela, also heavily dependant on oil, which has just signed a $21.2bn public sector debt rescheduling. Its agreement may have to be reopened and substantially changed in the light of falling crude prices.

Argentina also has to negotiate a programme for 1986. Government officials in Buenos Aires say the country faces an extreme squeeze because of low commodity prices, adverse weather conditions and the high interest bill on its $48bn foreign debt.

Peru, which has run up arrears of more than $400m on its $14bn foreign debt, has seen its relations with the IMF go from bad to worse.

Elsewhere Poland, which is hoping soon to join the IMF, will have to renegotiate payments of some $800m due to commercial banks this year. The IMF economic adjustment programme in the Philippines, which owes $26bn is in disarray in the wake of the elections that ousted former President Ferdinand Marcos and South Africa is struggling towards an interim agreement with creditor banks on frozen loan repayments of some $14bn.

Bankers say there is still a chance that all these problems can be solved on the old case-by-case basis. Much depends, however, on developments in the world economy.

Growth rates would have to be sustained in the industrial world so that trading volumes rise, creating new export opportunities for the debtors. Here of course the decline in oil prices actually helps. Not only should it foster general growth, it should also ease the problems of many oil importing debtors such as Brazil and Uruguay just as it damages the exporters such as Nigeria which is also expected to seek rescheduling of its bank loans soon.

Lower oil prices should also lead to lower world inflation and that could push interest rates down, producing yet more savings for the debtors.

Against this background some new finance could be found for hard-pressed debtors, especially if Mr Baker lives up to his promises and allows the World Bank to play a much more forceful role. But it is still a gamble which must pay off soon or the advantage gained with the Baker initiative of last autumn will be lost.

No one yet knows what will happen if the Baker initiative fails. But the risks are clear. Debtors might reject the IMF and take the solution into their own hands. Interest payments on foreign debt might dry up, provoking a fresh crisis for the banking system.

One way or another industrial country governments might just have to foot the bill. That, however, is all still in the realm of speculation. What must be said for now is that time is running short. With Mexico again in crisis the testing time is here.

Lower import bill fuels surge

Japan's capital outflow

CARLA RAPOPORT

"JAPANESE economic power is no longer wielded only by the manufacturing sector. Japanese capital has become one of the most potent economic forces in the world markets."

Those sentiments were expressed last summer by an analyst with Phillips and Drew, the London-based stockbrokers. Since that time, the yen-dollar relationship has flip-flopped, with the dollar now trading at near record lows against the yen. Not a day passes without a major exporter revising its earnings forecast for the current year, while economic forecasters have been paring down their forecasts for GDP growth.

Does a stronger yen mean a slowdown in the mighty flow of capital out of Japan? No, is the short answer. But before considering the reasons, a bit of history is necessary.

Japan emerged as the world's largest creditor nation last year, with net capital outflows of $54.4bn in the year to April, 1985, compared to $26.8bn in the year previously. The money earned on all those VTRs and automobiles left Japan almost as soon as it arrived because domestic interest rates, held down by a net of government regulation, were much less attractive than those on offer abroad.

Most attractive was US Treasury bonds, estimated to account for between 80 and 90 per cent of the money Japan invests overseas.

The corporate sector had become so flush over the past few years that Japanese banks had to look abroad for customers, a fact which helped boost Japanese banks into the first place last year in terms of net assets held abroad. According to government statistics, net cash and securities (long- and short-term) held by Japan's publicly-listed companies rose from Y25,000bn in the mid-1970s to more than Y51,000bn in the beginning of 1984.

Then last September came the Group of Five meeting in New York which agreed that steps needed to be taken to reverse the US dollar's strength. The Bank of Japan did not intervene when interest rates started floating up and the yen started to strengthen against the dollar.

Dollar's slide

Finally, in January, the BoJ realised that a 20 per cent appreciation in the value of the yen against the dollar was solid enough to allow it to cut the official discount rate by 0.5 per cent to 4 per cent. A further appreciation in the yen since then to around Y180 has led many to believe that another 0.5 per cent cut may be on the way in April

This slide in the dollar's value has meant some hefty capital losses for Japanese investors. Nonetheless, the buying of US bonds continues. Net purchases of foreign bonds in January of this year were $5.7bn, only slightly down on December's $6.8bn. Indeed, January's total was the fourth largest monthly total on record.

This is despite the fact that the differential in interest rates between the two countries has narrowed in the past year and could well narrow further if the Fed ever gets around to cutting the US discount rate.

Surprisingly, this flow of funds into dollars, plus the cut in domestic Japanese interest rates, is not harming the yen's new-found strength. In this sense, the psychology of the foreign exchange market has markedly changed over the past year. It seems that the yen is on its way to becoming the hardest currency in the world, like the Swiss franc only better because of Japan's broad-based industrial backing for its currency.

So, where it used to be the case that a weak yen was being sucked out of Japan to higher interest rates abroad, now one has the feeling it is being pushed.

For a major perpetrator behind that push, one need look no further than Japan's fuel bill. Falling oil prices, a stronger yen and lower domestic interest rates have given Japan's chemical companies, oil refiners, utility companies and hundreds of others a tremendous windfall.

Distributing the benefits of cheaper electricity is a politically-charged issue and it may be some time before it is known what the exact affects of cheaper fuel will mean to Japan's GDP growth.

Estimates vary, but oil at $20 a barrel and the dollar at Y180 could knock as much as 20 per cent or more off Japan's import bill. As Japan built up its export machine to pay for its import bill and now that import bill is now about to shrink by a fifth, a quarter or even a third, there has to be more money than Japan can possibly absorb at the end of that equation despite any slow-down in exports due to the stronger yen.

Economists at Morgan Stanley in Japan predict that net capital outflows for the year ended this April will reach $70bn. The following year, they predict a slow-down to around $60bn in part due to increased domestic absorption of the funds.

At the same time, however, a few other factors should be kept in mind. Japan's life insurance companies, currently restricted to placing only 10 per cent of their assets overseas, are about to get a green light for a new ceiling of 20 or 25 per cent.

As of last year, Japanese life insurance companies had about $17bn invested overseas. If the smart fund manager decides that his performance can be improved by moving up to the new ceiling, Japan's capital outflow gets another big push. And then there are Japan's host of agricultural co-ops, credit co-ops, labour credit associations and the mighty Postal Life insurance—all with less than 3 per cent of their assets invested abroad.

Should any of these companies decide to spread their wings into overseas markets, the push could turn into a powerful heave. Indeed, Japan's capital is likely to remain as one of the most potent economic forces in the world markets.

Trend towards globalisation

Liberalisation of markets

ALEXANDER NICOLL

BANKERS IN New York, London and Tokyo may dream of a global financial marketplace in which they are the kingpins: one major centre for each time zone, and round-the-clock business for them as a result.

The trend began with the creation of the Euromarkets and has recently been accelerated by a number of diverse factors. But Frankfurt, Zurich, Paris and Amsterdam—to name just the larger rivals—are unwilling to be left for dead.

The result has been a year of liberalisation in financial markets around the world on an unprecedented scale. New capital market instruments have been allowed in many countries, and expanded use of hedging tools such as futures and options has also been permitted.

The most substantial moves have been made in Japan, which came under heavy pressure from the Reagan Administration to liberalise. The aim was to internationalise the yen and phase out controls on the domestic financial system. There was also a domestic rationale: markets needed to be modernised to help finance the rising budget deficit; the structure was felt to be obsolete, and foreign skills as well as technology were sorely needed.

In Europe, the deregulation process may be likened to a huge game of catch-up, with continental centres trying to prevent the markets in their own currencies from slipping away to London. Ironically, their efforts to deregulate are occurring at a time of upheaval in Britain's already highly liberalised markets.

The "Big Bang" reforms of the domestic stock market, also partly triggered by international competition, have brought a wholesale rethink of the regulatory structure for all London financial markets. Although the final shape is still far from clear, the outcome seems likely to involve increased costs for Euromarket participants who will be asked to finance their own self-regulation.

Bankers fear that Big Bang, though it frees domestic stock market practices, may mean in effect a re-regulation of the much larger international markets based in London.

Elsewhere, deregulation has been spurred by other factors. The subsidence of inflationary pressures during the 1980s has diminished concerns felt by domestic monetary authorities about allowing new money market instruments which could lessen their monetary control.

Internationalisation of currencies was resisted for the same reason. But the advent of the European Monetary System has brought greater currency stability within Europe and allayed anxieties on that score too.

Even if central bankers did remain reluctant to relax their grip over monetary conditions, they have been forced to deregulate by developments within the markets themselves, which threatened to isolate any individual markets failing to keep up.

The most potent of market trends has been the growth of swaps, which link bond markets to each other. Currencies which are difficult to swap are less attractive for raising money, potentially making bond markets become illiquid and outmoded.

The development of swaps is part of the heightened sophistication of financial markets, which countries seeking more efficient markets ignore at their peril.

It also illustrates a trend towards globalisation by the biggest banks and securities houses which has been aided by improved communications. Increasingly, they want to be able to trade all types of securities in and out of every marketplace, at all times.

Although this may seem an impossible dream, it is a powerful force at work. The muscle of big Wall Street houses and demanding institutional investors who want to deal as cheaply as possible has proved a challenge for the foreign markets in which such institutions increasingly want to operate.

Anomalies

Liberalisation creates anomalies, however. West Germany allowed floating rate notes to be issued last year, but quickly found that trading in them migrated to London partly because of stamp duty which is payable in the home market.

In Japan, the granting of licences to foreign financial institutions means that they have a scope of activities not permitted to domestic firms. Citicorp, for example, can be a commercial bank, a trust bank and a securities firm.

One of the first significant liberalisation moves was actually made by the US, which abolished withholding tax for foreign buyers of US bonds. This seemed likely to draw the US and Eurobond markets closer together, and to attract foreign investors into the US market at the expense of other markets. In practice, the impact of the US move was limited.

In Japan, virtually all regulatory barriers to the growth of the Euroyen market have been lifted. Last April, medium- and long-term yen loans to non-Japanese borrowers were permitted and the scope of Euroyen bond issues was expanded. Floating rate notes, zero coupon and dual currency bonds are all allowed Withholding tax was abolished for non-resident holders.

Japan has also opened up the short-term money markets. Limits on certificate of deposit issues have been relaxed, and money market certificates and bankers acceptances have been introduced. Interest rate ceilings on deposits have been phased out. The Tokyo Stock Exchange has launched a futures market in government bonds.

Most of these new markets have been slow to get off the mark. But foreign companies have not been slow to make plans for their admission into markets previously closed to them such as the Tokyo Stock Exchange and trust banking.

West Germany last year sharply expanded the Eurobond market in its currency with the permission of D-Mark floating rate notes, zero coupon and dual currency issues. Coupon tax has been abolished. Certificates of deposit have been allowed. Foreign banks were allowed to lead manage bond issues through their German subsidiaries.

The Netherlands, whose markets are closely linked to those of West Germany, later introduced a similar package which came into effect at the beginning of this year. Bullet issues, floating rate notes, commercial paper and CDs were allowed for the first time.

France last year reopened the French franc Eurobond market and eased some exchange controls so that greater use could be made of instruments such as currency options. Commercial paper has been permitted. A futures market in French government bond was launched in February.

Switzerland, however, has been more cautious. It has lifted a SFr 200m limit on bond issues by foreign borrowers. Switzerland is anxious, however, that control of its markets should not slip away from its own banks.

Market struggle

CONTINUED FROM PAGE 1

It is not as if the rapidly growing market in Euronote issuance facilities provides much real compensation for this decline. Business in this sector advanced strongly in 1985 to $50.2bn from $28.8bn in 1984, but this total represents a theoretical maximum of actual lending.

Drawings under Euronote facilities are in fact much smaller, amounting probably to not much more than $15bn. At this level the size of the Euronote market is still less than a tenth that of the commercial paper market in the US.

That leaves still a growing market in Eurocommercial paper which does not require any underlying back-up banking credit. The volume of such programmes is growing apace, creating new short-term opportunities for investors in the securities market. Another new area is the growing interest in international equity issues in which shares are placed through traditional Eurobond channels.

These two markets offer a glimpse of a brave new world in which all types of investment can be offered globally without any national restraint. That is the style to which the international capital markets aspire.

It is perhaps an appropriate ideal at a time when the City of London, still the hub of international finance, is itself gearing up for a revolutionary change in which the old barriers between stockbroking, merchant banking and commercial bank will successively be broken down.

Suffice it to conclude, however, on a mildly cautionary note. There is often a world of difference between the vision and the reality. Profits have become harder to earn and turbulent times could still lie ahead.

BORROWINGS ON INTERNATIONAL CAPITAL MARKETS

(US$bn)

	1983	1984	1985*
Bonds	77.1	111.5	167.7
of which: at floating rate	(19.5)	(38.2)	(58.4)
Syndicated bank loans†	67.2	56.8	43.2
Note Issuance Facilities and other facilities‡	9.5	28.8	50.2
Total	153.8	197.1	261.1

* *Provisional.*
† Excluding loan renegotiations ($5.2bn in 1984 and $15.9bn in 1985).
‡ Excluding merger-related standbys ($26.5bn in 1984 and $6.3bn in 1985).

Source: OECD.

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

New Issue / February, 1986

U.S. $100,000,000

European Economic Community

9⅛% Notes Due 1996

Salomon Brothers International Limited
Bear, Stearns International Limited
Swiss Bank Corporation International Limited
S. G. Warburg & Co. Ltd.

Banque Bruxelles Lambert S.A.
Banque Nationale de Paris
Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited
EBC Amro Bank Limited
Goldman Sachs International Corp.
Morgan Stanley International
Nomura International Limited
Union Bank of Switzerland (Securities) Limited

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

New Issue / February, 1986

U.S. $400,000,000

The Kingdom of Belgium

Floating Rate Notes Due February 1991

Salomon Brothers International Limited
Generale Bank
Credit Suisse First Boston Limited
Merrill Lynch Capital Markets

BankAmerica Capital Markets Group
Bank of Tokyo International Limited
Bankers Trust International Limited
Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V.
Banque Nationale de Paris
Banque Paribas Belgique S.A./Paribas Bank België N.V.
Chase Investment Bank
Chemical Bank International Limited
CIBC Limited
Citicorp Investment Bank Limited
Crédit Commercial de France
Daiwa Europe Limited
Deutsche Bank Capital Markets Limited
EBC Amro Bank Limited
First Chicago Limited
Goldman Sachs International Corp.
Kansallis Banking Group
Kidder, Peabody International Limited
Kredietbank International Group
LTCB International Limited
Mitsubishi Finance International Limited
Mitsui Finance International Limited
Morgan Guaranty Ltd
Morgan Stanley International
Nomura International Limited
Shearson Lehman Brothers International
Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited
S. G. Warburg & Co. Ltd.
Westdeutsche Landesbank Girozentrale

All of these Securities have been offered outside the United States. This announcement appears as a matter of record only.

New Issue / June, 1985

U.S. $100,000,000

The Export-Import Bank of Japan

10⅜% Guaranteed Bonds Due June 1995

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

Japan

Salomon Brothers International Limited
Nippon Credit International (HK) Ltd.

Bank of Tokyo International Limited
Banque Paribas Capital Markets
Credit Suisse First Boston Limited
Daiwa Europe Limited
Deutsche Bank Aktiengesellschaft
Goldman Sachs International Corp.
IBJ International Limited
Kleinwort, Benson Limited
Morgan Guaranty Ltd
Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd.
Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited
S. G. Warburg & Co. Ltd.

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not, as part of the distribution, be offered, sold or delivered, directly or indirectly, in the United States or to United States persons.

New Issue / February, 1986

U.S. $350,000,000

New Zealand

Floating Rate Notes Due 2001

Salomon Brothers International Limited
Credit Suisse First Boston Limited
Merrill Lynch Capital Markets

Bank of New Zealand
Bank of Tokyo International Limited
Banque Nationale de Paris
Banque Paribas Capital Markets Limited
Bear, Stearns International Limited
Citicorp Investment Bank Limited
Commerzbank Aktiengesellschaft
County Bank Limited
Deutsche Bank Capital Markets Limited
EBC Amro Bank Limited
Fuji International Finance Limited
Goldman Sachs International Corp.
IBJ International Limited
Kidder, Peabody International Limited
Lloyds Merchant Bank Limited
Mitsubishi Finance International Limited
Morgan Guaranty Ltd
Morgan Stanley International
Nomura International Limited
Orion Royal Bank Limited
Shearson Lehman Brothers International
Sumitomo Finance International
Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited
S. G. Warburg & Co. Ltd.

Risks yet to be tested

Debt swaps

ALEXANDER NICOLL

NO RELIABLE estimates exist for the size of the global market in swaps, but it is big. Not only have swaps been the driving force behind the development of the Eurobond market in the past couple of years, but they have also become the subject of an active interbank secondary market.

The spectacular growth puts new pressures on banks jostling for position in the swaps market. It also raises uncertainties, still to be resolved by regulators, about the risks. The effect on corporate users can be to transform their liabilities, so that debts recorded in balance sheets may not accurately reflect the level and nature of interest a company is due to pay.

Swaps grew out of the scope aspirations in financial markets to a new, sophisticated degree of management of liabilities and risks. They can afford substantial savings in interest costs, and provide effective, long-term hedging against currency risks.

Just as important is their flexibility: a corporate user, as with other developing products such as options and forward-rate agreements, can have a package tailor-made to suit requirements.

Such needs represent the fundamental basis for the market—just as a grain futures market is based on the needs of grain farmers.

Important liquidity is provided by the growing trading market in short-term swaps among banks which effectively treat them as one among many interest rate instruments which they can use for speculation and hedging.

Swaps grew out of the scope for arbitrage opportunities between different capital markets. Two companies with differing credit profiles could each achieve savings and get the sort of debt they wanted by swapping part of their liabilities with each other.

In the simplest typical example of an interest rate swap, two companies each save money by swapping the payments stream — not the principal — from fixed to floating rates and vice versa.

Take for example, a bank which is a top-rated credit and can raise money at cheap fixed rates of say 7 per cent, but would prefer to borrow at cheap floating rates. This company (ABC Corp), if it were to enter the money market without swapping, its cost of funds would be, say, London interbank offered rates (Libor). Another company which is a lesser-rated credit and has to borrow at floating rates, say Libor plus 1 per cent, may prefer to lock in a fixed rate. Notionally, this company (XYZ Ltd) would have to pay 10 per cent if it borrowed at fixed rates.

Though each remains responsible for its debt, the two companies agree to make regular payments to each other. Based on their (equal) amounts of debt, ABC pays Libor to XYZ, and XYZ pays 8 per cent to ABC. Netting out these payments with those to their own creditors, ABC's total cost of funds is Libor minus 1 per cent, and XYZ's cost is 9 per cent.

Though this example exaggerates the advantages normally to be gained, each party has achieved the type of payment it wanted, and at one percentage point below what it would have paid if it had gone directly for the regimen it wanted.

Few examples will be as simple as this and most will involve an intermediary such as a commercial or investment bank or broker. Often the parties will deal directly with the intermediary which will take on the risk as principal and then attempt to offset it through matching agreements with other parties.

Arbitrage

What happens in such a case, however, is an arbitrage between the two companies' relative credit standings. ABC sells its relative advantage in the fixed rate market to XYZ. The price paid by XYZ is used to offset ABC's floating rate cost of funds. XYZ, in return, has acquired relatively low-cost access to the fixed-rate market.

The attractiveness of this process has probably been the greatest stimulus to the rapid growth of the Eurodollar bond market in the past two years. Many issuers, often banks, issue fixed rate Eurobonds on very tight terms to enter an interest rate swap which will give them funds below Libor.

Bankers Trust, in a recent Euromoney supplement, noted estimates that about 75 per cent of Eurodollar bond issues are swapped. "The advent of the swap market has also meant that the Eurodollar bond market now never closes due to interest rate levels: issuers who would not come to market because of high interest rates now do so to the extent that a swap is available."

This availability, depends on the behaviour of the spreads between Eurobond yields and those on US Treasury issues, it says.

Interest rate swaps are the largest segment of the swap market, and are still developing. Use of US commercial paper yields as a basis instead of Libor gives swappers access to that highly selective market. It has also created the "basis" swap, in which borrowers exchange one type of floating rate fund for another.

Last year saw an explosion in the type of swap which originated the market: the currency swap. This vehicle, which differs from the interest rate swap in that parties exchange the debt principal, was first used by the World Bank in 1981.

Borrowers can use one market where they sense particular demand for their paper—and therefore borrow at cheap rates—and swap into the currency that they need. The process can involve an interest rate swap so that they also switch from fixed to floating rates. They may also obtain long-term protection against, for example, a severe appreciation of the currency in which debt is denominated.

The attractions of this, as well as widespread deregulation, have substantially boosted previously small or non-existent sectors of the Eurobond market. According to figures compiled by Salomon Brothers, new Eurobond motivated by currency swaps jumped to 30 (worth a total of nearly $20bn) in 1985, from 105 worth just under $6bn in 1984. Of non-dollar issues, 25 per cent were swapped in 1985 compared with 9 per cent in 1984.

Sectors of the Eurobond market which have benefited include the European Currency Unit, which saw 63 swap-driven Eurobond issues last year, worth $2.97bn, according to the Salomon figures. Swap-driven Euro-yen issues rose from four to 57 worth $5.6bn Australian dollar issues from four to 52 worth $1.85bn, and New Zealand dollar issues from zero to 35. US bond issuers were the most important users of the market, with 94 issues driven by currency swaps, followed by Japanese borrowers with 49.

Since Salomon's $20bn estimate represents one part of the primary swap market, leaving aside interest rate swaps and the secondary market, it is obvious that the overall size of the swaps market is very large.

This growth has many implications for intermediaries who arrange swaps. A swap will only work if borrowers with matching requirements can be found, so the onus is on banks to develop a worldwide customer list of international borrowers, and close integration between bank offices in different time zones.

"To succeed in swaps you need a presence in the major financial centres: New York, London and Tokyo," says Mr David Gelber, executive director at Chemical Bank in London. "It is fairly rare to find two counter-parties in the same location, so we are set up as a global team."

Winning the swap on a Eurobond issue will depend on putting in a fine bid within minutes. There would rarely be time to find an exact counterparty. Banks will take the risk and find a counterparty afterwards. Many have, therefore, built up swap "warehouses" so new positions they take on can hopefully be matched, or at least offset, against something already in store. Warehousing also gives banks substantial positions from which to trade.

Pressure

The rapid and competitive growth of the market has put pressure on the margins that can be earned. A bank with a swaps "warehouse" now has far less room for error.

Risks inherent in swaps have yet to be tested by a major accident. Swap defaults have been rare, small, and settled privately. Swaps involve a credit risk—that the counterparty will go bankrupt or otherwise be unable to meet payments due under the swap agreement; and a market risk—that at the time of default, interest or currency rates have moved against the non-defaulting party.

Swappers, therefore, need first to use just the sort of credit analysis of their counterparty that they would employ in another credit transaction.

Collateral in the form of US Government or other marketable securities is often demanded. But Mr Gregory Hsu, a vice-president of Chemical Bank in New York, said in a recent paper that many counterparties are restrained from posting collateral by negative pledge or *pari passu* clauses, and that the legal efficacy of such collateral in US bankruptcy cases may in any case be in doubt.

"Some financial institutions do not believe that collateral diminishes credit risk," he says.

Some bankers see other risks arising from the general decline in interest rates. Many swap agreements involve weaker companies which contracts swaps to reduce the impact of their weakness on borrowing costs.

In the example quoted earlier, XYZ locked in a fixed rate at 9 per cent. But suppose interest rates fell substantially below this level. It would be locked in to an uneconomically high rate, and consequently more exposed, rather than less, to bankruptcy.

That possibility exposes the counterparty, whether it is a bank intermediary or other company. Central banks have been studying the potential risks of swaps, but have yet to publish their conclusions.

It already seems clear that swaps, far from being a passing phenomenon of arbitrage which is naturally ironed out in the market like most arbitrage opportunities, will be a lasting instrument in financial markets. The latest development, which also seems set to grow, is the swapping of assets instead of liabilities to improve and protect investment returns.

Ingenuity of structures seems unlimited

Mortgage-backed Securities

MAGGIE URRY

THESE DAYS almost anything can be turned into a bond, it seems. Assets can be used to provide security to back a debt issue and such has been the growth of this business that the range of securities is wide. It has reached so far that in the US the authorities have been forced to question whether a grapefruit is a security, after fruit-farms were employed as backing for issues.

The most commonly used security is still mortgages, and particularly the mortgage paper guaranteed by the US government mortgage agencies, primarily the Government National Mortgage Association (Ginnie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac).

These bodies help to provide finance for residential mortgages in the US through raising funds to invest in the mortgage market.

It has now become quite conventional for a US issuer, typically a savings and loan association, to launch a Eurodollar bond issue backed by mortgages and other top grade paper. Collateral of more than 100 per cent, with the figure depending on the type of security used, of the principal amount is maintained so that default by the borrower would not entail losses to investors.

This is a particularly convenient type of backing for savings and loans issuers because they hold huge amounts of this type of paper on their books already. Often these securities could not be easily sold, except at a loss, but can be used to secure new borrowings.

These issues, which are generally of floating rate notes, then receive a AAA credit rating because of the strength of the collateral. As a result terms on the issues can be finer than the issuer could have achieved on its own account.

At first investors were rather wary of these types of issues, particularly as savings and loans are not regarded as strong credits. However, they have now come to accept the idea, though even so these bonds trade slightly less well than a true AAA rated floater would.

The only drawback is that as the collateral is paper from US government agencies the bond must be in registered rather than the bearer form preferred by retail Eurobond investors. This matters little, though, in the case of floating rate notes which are usually purchased by institutional investors, such as banks and insurance companies.

A further development has been the introduction of Collateralised Mortgage Obligations (CMOs). Here the bond issue is serviced by the collateral cash flows and the bonds have an average life, with repayments made as the collateral is repaid.

Early this year Salomon Brothers, one of the leading firms in the mortgage-backed securities market, launched a four tranche issue for Mutual Benefit, the US insurance company. The bonds were backed by commercial mortgages. Unlike the residential mortgage market in the US, there are no established agencies for repackaging commercial mortgages.

Complex issues

In the Mutal Benefit case, the bonds were secured by commercial mortgages and other high quality investments, so that the cash flow from these would at all times cover the interest and principal repayments on the bonds. These types of issues can be rather complex and take some time to explain to investors.

Another type of mortgage backing for bonds are "pass-through" securities. These too have come to the international markets from the US. Last autumn Freddie Mac launched a $100.14m Eurobond issue described as "Multifamily Plan B Mortgage Participation Certificates."

Each certificate represents an interest in a pool of fixed rate mortgage loans on properties containing five or more units. Investors receive monthly payments of interest and principal which are "passed-through" from the payments on the mortgages.

Bankers have gone even further with bonds secured on property. Last summer Goldman Sachs created a two-tranche bond issue to finance a new company set up to own the Rockefeller Centre building in New York.

The issue comprised two tranches, a coupon bond and a zero coupon bond, both convertible into the shares of the company at maturity after 15 years. The interest payments on the coupon bond were low to start with but were set to rise later as the building's value increased.

Late last year Salomon Brothers launched two issues based on other New York property. One for Olympia & New York Maiden Lane, is secured on an office block in Maiden Lane. The bonds were backed by the building, the rents from the tenants, and a credit insurance policy from Aetna Casualty & Surety.

The other for Fisher Brothers Financial Realty is secured on a 43-storey office block in Manhattan, plus a letter of credit and pledged bank account or eligible securities.

The ingenuity of bankers seems to have no bounds when it comes to devising structures for bond issues and this area of property backed bonds is expected to be one of growth for the Eurobond market.

Even British banks are coming into the market with bonds secured on pools of UK residential mortgages. Morgan Grenfell led the way last year with an issue for a vehicle company, called Mortgage Intermediary Note Issuer (Mini). That launched a £50m floater backed by a pool of 1,200 mortgages purchased from Bank of America.

Defaults on mortgages in the UK are only a tiny proportion of the total lent, and with a guarantee from Bank of America that it would cover losses up to £2¼m, investors felt the security was good.

The issue enabled Bank of America to take the mortgages off its own balance sheet and so increase its scope to make more mortgage loans. With the competition between banks for mortgage business intense, more such issues are expected.

The mortgage-backed bond industry is vast in the US and bankers believe that the Euromarkets could also cope with a much larger volume than has been seen so far.

In the US the trend to securities loans and then sell them has extended far beyond simple mortgages to car purchase loans and even credit card debts. That trend may take some time to come into the Euromarkets, but bankers are already looking ahead to welcome it.

هكذا من الأصل

Swiss connection is prominent

Euroequities

ALEXANDER NICOLL

THE MODERN financial officer's dream is to distribute shares globally. Spreading the equity base over as geographically broad a base as possible is seen as a sound foundation for a share price, since a wider range of investors is tapped.

This fashion has produced a new market over the past year: or rather, the blurring of distinctions between well-established ones. For Euroequities really represent the application of Eurobond sales techniques to equity markets.

International share issues are not new. Many companies have obtained foreign listings, and many have sought equity funding outside their home country. Scandinavian companies, for example, have found domestic markets too small to finance their expansion and have consequently turned abroad.

Several factors have been at work to push this procesa into a higher gear. The chief stimulant has been the sheer strength of equity markets all over the world. This has spurred companies to issue shares, and investors to buy them.

More competitive

It has created a more competitive atmosphere among fund managers worldwide, and encouraged some of them, including continental institutions accustomed to making trouble-free fixed income investments, to look more closely at equities.

Improved communications have made such investors more aware of the opportunities to be had in markets away from home, and more able to deal in them.

The biggest securities houses, meanwhile, have been steadily building up their share trading and research capacities so that a telephone, round-the-clock secondary market has developed in the paper of several hundred companies of many nationalities. It is natural that such houses, when they have new issues to sell, should attempt to tap the same range of international clients.

It also seems logical to attempt to apply to equities the well-tried Eurobond syndication system of rapid distribution, particularly when all investment banks are seeking new fee-paying niches in an increasingly competitive environment. But by no means all international equity offerings have used the Euroequity structure. Many simply apply domestic methods to foreign issues.

Placing shares is not the same as placing bonda. After several debacles—such as the immediate return to the UK of virtually all the British Telecom shares sold in the US at its privatisation—the emphasis has been on reducing "flowback."

Nothing can prevent the eventual sale of shares by an investor who, after all, bought them with the aim of making a profit and decides to take it.

For issuers, the key problem is to ensure firm initial placement with foreign investors who do not simply sell back into the domestic market. If this occurs, the company's purpose is defeated at the cost of a potentially shaky share price and wasted commissions paid to foreign issue managers and underwriters.

Eurobond syndicate managers have devised differing structures designed to prevent "flowback." Credit Suisse First Boston has led a number of issues in which it has a fairly small lead management group and attempts to keep tight control over the placing of the shares.

Swiss Bank Corporation International has devised a more elaborate system in which individual banks are delegated to manage placement of tranches in their home countries in Europe. There are other variations depending on the issuer's specific origin and needs.

The Swiss connection of many leading investment banks involved in the business is not coincidental. By far the largest proportion of international equity issues is placed in managed accounts at Swiss banks.

Although there have been no serious accidents so far in this market, the true placing power of the banks involved is still open to question. There are still suspicions that the eagerness of investment banks to get the deal — particularly those who are well accustomed to the Eurobond market—may exceed their ability to find investors who actually want to buy the paper.

High reputation

The result can be that, although an issue appears to be firmly underwritten and placed, parts of it may actually trickle back into the domestic market.

An example of how international equity placement can work well would appear to be the role of Cazenove, the independent and secretive UK stockbroker which is not known for its role in the Eurobond market. It has a high reputation for placing UK shares with its client list, and has taken part in quite a number of international issues.

There remain, however, other doubts and risks. Investors in different countries may view companies and sectors differently, putting a higher or lower rating on them than would apply elsewhere. The issuer risks finding that the price of the issue is at the level of the lowest common denominator.

International share distribution by companies whose domestic stock markets are small creates the danger that bad news will trigger heavy foreign sales with a disproportionate impact on the share price. Companies with substantial foreign shareholdings have an added responsibility to educate their shareholders and to keep them abreast of the company's performance.

This is particularly necessary because of the wide differences between countries' accounting principles and disclosure rules. For similar reasons, securities houses which tout shares internationally also face added demands for research.

Questions also hang over the marketplace itself. Unlike most instruments traded in the Euromarkets, equities stand a substantial chance of ending up with the unwary retail investor.

The need for reasonably common standards of investor protection thus arises if a truly global market is to develop. Regulators such as the Securities and Exchange Commission have raised some of the issues, but talks have yet to go far.

In the creation of a new structure for the City of London, the international equity market is the subject of particularly delicate talks. International securities dealers feel they have a lock on the market, but the Stock Exchange is acutely aware that top British companies are internationally traded. It does not want to lose them.

The new structure will require every securities market to have acceptable price reporting and settlement systems, so the tw sides are discussing whether a joint effort will fit the bill. Other systems, such as Reuters and Instinet, are snapping at their heels.

The biggest test for the bold new world of global equities, in which over half the business in ICI shares is said to be in New York and over half Sears Roebuck trades in Japan, will come however when stock markets around the world turn downwards.

Exchanges sense rich pickings

Futures and Options

ALEXANDER NICOLL

FOR YEARS dealers and exchanges have been puzzling how to create a futures contract providing a true hedge for Eurobonds. Dealers taking positions in that market can protect themselves with US Treasury bond futures, but may find the protection to be less than perfect if prices in Europe and New York diverge.

Given the huge size of the Eurobond market, with $134bn new issues launched last year alone, futures exchanges sense rich pickings. They are constantly on the look-out for new products, because they compete intensely with each other, and because there is always a tendency for contracts to reach a peak of popularity and then go out of fashion. Each exchange wants to bring out tomorrow's hot products.

The problem has been finding a representative barometer of the performance of the Eurodollar bond market — it is assumed that, at least initially, futures would be traded on dollar straight bonds. Borrowers, maturities, and other issue features are diverse.

The London International Financial Futures Exchange (Liffe), which considers it should be in the forefront of London's central position in the Euromarket, conducted a study several years ago but gave up the initial attempt.

Interest has been renewed, however, by the Chicago Board of Trade's introduction last year of a futures contract based on an index of municipal bonds. An index of the large and similarly diverse market was devised with price input from leading dealers, and given a stamp of independence with the imprimatur of the Bond Buyer, a daily trade newspaper.

Exchanges now believe that through this mechanism the basic problem in creating a Eurobond index have been solved. Both leading Chicago exchanges, the CBT and the Chicago Mercantile Exchange are now hot on the trail of an index viewed as independent by the Eurobond market, and Liffe hopes to introduce a contract this year. It is understood to be discussing a possible link with the CBT on the project.

Strong demand

On the hedging side, there would appear to be strong demand. Both borrowers, issuing houses and investors in the Eurobond market would all be interested, particularly in using futures—and, potentially, options too—as part of their increasingly sophisticated investment and hedging strategies.

The key to success for any futures contract, however, is the liquidity provided by speculators, especially the Chicago community of locals, and by arbitrageurs. Plays between the Eurobond and Treasury bond contracts—the CBT's T-Bond futures are themost active interest rate futures contract—should offer interesting opportunities for arbitrage.

The entry of locals, however, is always unpredictable. It is possible that Wall Street firms, which dominate the T-Bond pits and turn over futures contracts actively in the same way that they trade securities, could provide significant liquidity to a Eurobond pit just through trading.

That futures contracts can flop spectacularly and despite the best efforts of exchanges was shown vividly last year with the competitive launch of futures and options on indices of over-the-counter equities. The Chicago exchanges spent millions of dollars on development and marketing, and there is no sign yet that any of the contracts will take off.

That a Euro-contract can succeed in the US has been demonstrated, however, by the growth of business in the CME's Eurodollar three-month deposit futures. This has effectively replaced both T-Bill and CD futures as the dominant short-term interest rate future.

The chances for a Eurobond contract, both futures and options, must also be enhanced by the Eurobond market's familiarity with many of the concepts involved. Many Eurobond issues now involve features which are similar to options and involve options pricing methods. Many bond issues now have warrants attached—in some cases, they are issued only on the exercise of an initial issue of warrants.

The principles of both currency options and interest rate options, including rate caps and similar products, have come strongly into play in the bond market.

The swaps market, which has been one of the most powerful forces behind the Eurobond market's growth in the past few years, is closely related to futures, with risks taken in the short-term swap market often offset on the futures market.

If Eurobond futures and options are created, they will be the latest in a rapid stream of new bond contracts. The soaring US budget deficit, requiring heavy financing which Wall Street firms, effectively as underwriters, needed to hedge, set the scene for an extraordinarily liquid market not only in the cash market but in debt futures and options. Other countries have spotted the benefits and encouraged imitation.

Contracts on UK gilt-edged securities are being expanded by Liffe. It has added a short gilt future to its long gilt, and now offers options on the long contract as well.

The London Stock Exchange trades options on selected gilts. Business has been steady, but generally fairly slow to expand, but is expected to increase substantially this year with the "Big Bang" reforms in the City of London.

Instead of being dominated by two market-making firms as it was for many years, the gilt market will have 29 primary dealers, many of which are already established on the Liffe and Stock Exchange floors.

Japan launched futures on Government bonds last year. The market at the Tokyo Stock Exchange, received an early setback when the Government raised interest rates in the first week of trading, catching unawares many traders and investors who had entered the futures market in "congratulatory" trading to help the launch. But it has since been recovering.

France last month saw early success for new futures contracts on French government debt, and is already considering other candidates for futures. Even in Rio de Janeiro a government debt futures market was launched last year.

High-yield bonds are big business on Wall Street but there are considerable doubts about the risks.

Brash, hair-curling issues

Junk Bonds

WILLIAM HALL

MR TED TURNER, 47-year-old chief executive of Turner Broadcasting, is regarded as a maverick in the media business but in the shadowy world of Wall Street's "junk bond" industry he is regarded as a Titan.

"Junk bonds," also known as high-yield bonds, speculative grade debt or non-investment grade securities, are big business on Wall Street and Mr Turner is seen as one of the new prophets in an industry which is still dominated by "fallen angels" — companies which have fallen on hard times and had their debt downgraded into the speculative category by the major credit rating agencies.

Companies such as Texaco, Union Carbide, Trans World Airlines, Montgomery Ward and International Harvester do not like to advertise the fact that many of their securities are ranked as junk bonds, but Mr Turner does not share their shame. Quite the reverse.

He is in the process of raising one of the biggest junk bond issues in US corporate history and last month was boasting that he owed more than $2bn, more than some smaller Third World countries, he noted. "I'm pretty proud of that. Today, it's not how much you earn, but how much you owe," said the irrepressible Mr Turner.

Mr Jim Grant, publisher of Grant's Interest Rate Observer, a New York-based newsletter, has taken a look at Mr Turner's latest junk bond prospectus for $440m of zero coupon notes and says it "makes his hair curl."

"To start with, Turner Broadcasting itself was unprofitable in the nine months ended September 30; MGM (which Turner is acquiring) was unprofitable in its 1985 fiscal year and the two companies combined would have rolled up losses in the quarter billion-dollar range in the first nine months of 1985," says Mr Grant. The idea behind the merger is that Turner will get the MGM film library and liquidate, as quickly as possible, the studio's film production and distribution assets.

Suspicious

"He'll apply the proceeds to the reduction of the merger debt—unless, of course, he can't sell, in which case he'll have to hope for the best," says Mr Grant who is one of the more suspicious observers of the growing popularity of the "junk bond market."

Mr Turner is one of the most aggressive users of this market and his success has attracted other highly-leveraged and untested companies to follow in is footsteps. Drexel Burnham, the New York investment bank which has pioneered the growth of the market, says that there were $82bn of below investment grade bonds in issue at the end of last year.

Over the last three years more than $40bn of high-yield bonds have been issued, and another $6bn of junk bonds are in the process of being sold into the market. This compares with an average of no more than $2bn a year of new junk bond issues in the four years to end 1982. Clearly "junk bonds" have become an essential part of the corporate finance lexicon.

Moody's, the US credit rating agency, estimates that there were 212 new issues of speculative grade securities in 1985 totalling $17.8bn. This was equivalent to 19 per cent of all new US corporate debt issues. In 1984 there were 177 issues totalling $17.8bn, or 29 per cent of all new issues volume.

Mr Christopher Baldwin, a vice-president of Moody's which has recently expanded its scrutiny of this area, says that "despite the high risks and government restrictions on the use of borrowed funds, we do not regard the speculative grade market as a passing fad."

As long as the spreads between corporate issues and US Treasury issues remain narrow, "money managers will be motivated to consider high-yield issues as a means of enhancing performance," he believes.

Drexel Burnham argues that the incremental returns from high-yield bonds can work wonders for a big institutional investor over the long term. In its booklet, "The case for high-yield bonds," the bank cites the example of two investors each starting with $100,000 and a 25-year investment span.

The investor who puts the money into government bonds yielding 12 per cent will collect $1.84m, or 18 times his original investment, while the "junk bond" investor who invested in debt earning 15 per cent will have earned $3.7m or 37 times the original investment.

Supporters of junk bonds often draw on a study by W. Braddock Hickman in 1958, which demonstrated that bonds below investment grade had an annual total return over 3 per cent higher than that of conventional bonds between 1900 and 1943. However, other investors are sceptical about the use of applying these findings to the current market.

Over the last couple of years, junk bonds have not shown a superior return. Last year US Treasury bonds produced a total return (including appreciation) of 31.5 per cent, while Drexel Burnham Lambert's index of 110 high-yield issues produced a total return of 22.5 per cent. In 1984 Drexel's index gained 8.5 per cent while Salomon Brothers' long-term government index rose 14.9 per cent.

Given this relatively poor performance combined with the very real risks of default by some of the newer issuers, there have been suggestions that investors are losing their appetite for junk bond paper. Forbes Magazine recently quoted Mr James Rogers, a respected Wall Street investor, as describing the junk bond market as "a nightmare just waiting to happen."

Favourite

"It is a financial excess that sometime in the next year or two or three is going to cave in," Mr Rogers reportedly told a Columbia Business School seminar last year. It is clear that some junk bonds are beginning to live up to their name. The recent slump in oil prices has already led to a number of casualties.

Global Marine, which is one of the world's biggest offshore drilling contractors and used to be a favourite for the more aggressive junk bond investors, recently defaulted on its debts and filed for protection under Chapter XI of the US bankruptcy code. Its convertible subordinated 13 per cent debentures, due 2013, are currently changing hands at 17½ per cent. Investors, with a taste for the exotic, can also pick up Crystal Oil's 12⅞ of 2001 for 11, although traders note that this may prove to be expensive wallpaper.

Nevertheless, it is still possible to find plenty of Wall Street professionals who are bullish about the junk bond market's long-term potential. Drexel Burnham Lambert reports that sales of recent new issues have been strong and a large amount of high-yielding paper is expected to come to market over the next several weeks.

According to Morgan Stanley, another firm which has increased its presence in the junk bond market, the yields on the paper of low-grade US energy companies is now about 650 basis points above 20-year Treasury issues. Over the last three weeks as oil prices have plunged, the spread between energy industry junk bonds and US Treasury issues has widened by 100 basis points.

Mr Jim Grant suggests that many junk bond issues are yielding close to 900 basis points over first rate corporate bonds, indicating that there is some reluctance on the part of investors to take more "junk bond" paper into their portfolios.

However, Mr Bob Waill, who researches high-yield securities for New York brokers L. F. Rothschild, Unterberg, Towbin, says that he has detected no change in Wall Street's recent enthusiasm for junk bonds.

"The market has been growing," says Mr Waill, who plays down the importance of tha Federal Reserve's recent bid to curb the use of junk bonds. He notes that the Fed'a new rules are designed to curb tha use of junk bonds in hostile takeovers and this is only a minor part of the market.

The main function of the high-yield bond market is to provide access to the capital markets for medium and small-sized companies or older companies whose ratings have slipped, Mr Waill says. In the past these sorts of companies have been forced to rely on tha commercial banks for finance. The high-yield bond market provides them with a growing source of capital.

"More and more institutional investors are putting their toe in the market and allocating 2 to 3 per cent of their cash flow," says Waill, who stresses that if the investments are well diversified the risks are limited. He admits that if an individual investor were to buy some of the "junk bonds" issued by Mr Turner or Mr Rupert Murdoch, the Australian-born publishing magnate, it would be a gamble.

Leading junk bond issues 1985-6

Size $m	Issuer	Rating
2,500	Beatrice	Pending
1,400	Turner Broadcasting	dn
1,200	Macy's	do
1,100	Fox TV	do
575	Pantry Pride	B3
400	Hart-Hanks	B1
375	Levi Straus	B1
350	Stone Container	B1
313	Wickes	B3

Junk bond issues

	($bn)
1980	1.3
1981	1.4
1982	2.5
1983	7.5
1984	16.4
1985	17.8

*Estimates of high-yield bonds rated BA1 or lower by Moody's and BB plus or lower by Standard & Poor's.

New issue volume 1985

(Corporate bond market)

Rating	$bn	No.
AAA	6.7	59
AA	17.4	122
A	30.3	250
BAA	21.3	111
BA	5.6	67
B	11.4	137
CAA	0.7	7
CA	0.1	1
Total	93.4	754

Source: Moody's Bond Service.

Popular hedge for nervous investors

Warrants

MAGGIE URRY

NOTHING demonstrates more clearly the uncertain stata of the international bond markets than the spate of warrant issues which has appeared in recent months. Warrants give investors who are nervous about the markets a chance to participate at low cost—meaning that losses will be small if the market turns sour.

For example, an investor who believes that the Eurodollar bond market may still rise, but is uncertain enoogh to avoid backing his judgment with a large commitment to the market, can buy a warrant for a few dollars which gives the right to buy a Eurodollar bond.

Thus if the market does continue upwards be can exercise his warrant and make a profit on the bond. But if the market falls, his loss is limited to the price of the warrant. There is no obligation to exercise the warrant.

Warrants bave been issued which give investors a play on all sorts of markets and currencies. Dollar bonds have been launched with warrants to buy bonds in another currency, and a series of deals led by Credit Commercial de France over the last year have been particularly successful. In February 1985 a Eurodollar floating rate note issue was launched for Electricite de France which carried one-year warrants to buy a fixed rate Ecu bond.

Added value

As tha exchange rate was fixed at that time, when the dollar was still high, the fall in the dollar since has added to the warrants' valne. Similarly, the Ecu bond which the warrants buy into has a coupon of 9¾ per cent over 10 years.

Interest rates in the Ecu sector bave fallen since, thus making the bond more attractive too. The warrants therefore proved extremely popular and traded np from the $14 issue price to around $200 before the expiry date, when all the warrants were exereised.

That example shows how profitable warrants can be if the market moves in the rigbt way But if the dollar had continued to rise, as many at the tima expected it to do, and if Ecu interest rates had not fallen the warrants could have expired worthless.

The EdF issue also shows how complex warrants can be. Two different plays, currency and interest rate, were involved. And this is by no means the most convoluted of warrant issues that have been seen over the last yesr.

Warrant investors need to be fairly sophisticated to assess the risks involved and the reward potential. A number have developed computer programs to put a value on a particular warrant, with reference to other forms of valuing currency and interest rate risks such es the futures and forward markets.

Warrant investors must also be prepared to take a speculative position. As the EdF warrants demonstrate, prices of warrants can be extremely volatile, and there have even been cases of warrants which have doubled and then halved again in the course of a couple of days.

This is because warrants are a geared investmant, a small initial investment controls a much larger potential investment, so a small move in tha price of the bood into which the warrants can be exercised results in a large change in the value of the warrant.

Warrants are not issued just for the convenience of investors, of course. The significant increase in the use of warrants lately has resulted from borrowers' attempts to sell debt at times when investors are not keen to buy and to reduce the cost of their funding. The addition of warrants, sold at a price, to a bond issue can bring in that little extra wbich can make a swap work.

Ooa type of warrant, developed by Morgan Stanley, offered borrowers a particularly good deal and became very popular among issuers, though less so with investors. The idea was for a bond issue, usually of 10 years, with warrants to buy a bond with the same terms. The warrants would buy into a non-callable bond, but the host bond would be callable.

Generally, the warrants could not be exercised for the first five years without surrendering the bost bond. Thus the borrower was left with an issue which could not be increased from the original size. If the warrants were exercised either the bost bonds would be given up or they could be called.

It was this safeguard for the borrower which gava the structure the name of "harmless" warrants. By limiting the total size of the issue a swap could be arranged without any concern for extra bonds beIng required to meet the exercise of warrants.

However, these types of issue had a mixed reception from investors. The process of having to surrender tbe bost bond in order to exercise the warrants in the early years, wae considered too cumbersome.

Later the structure was refined and generally these warants can now not be exercised for the first period. These barmless warrants have spread from the Eurodollar aector to other currency sectors of the Eurobond markat.

Investors have also been reluctant on occasions to buy warrants which get round this interest and can become worthless. Bankers bave developed warrants could bave expired problem by paying investors an income and even heving a redemption value.

Thriving

As well as warrants to buy bonds, there is a thriving market in equity warrants. These bave long been a feature of the international bond markets, with the Swiss franc foreign bond market, for example, one whicb is long-accustomed to such deals.

These warrants bave been even more popular in recent months as stock markets around the world have risen to all-time highs, and investors want to take a stake in companies whose share prices are rising.

Equity warrant issues differ from convertible bonds in that the bond issue remains even if the warrants are exercised. With a convertible the bonds themselves are swapped into the issuer's shares.

The most prolific issuers of these bonds with equity warrants are Japanese companies. There are restrictions on their issuing of shares in Japan so warrant and convertible issuers give them a way to raise new equity capital abroad. At the same time these issues from Japanese borrowers are welcome to investors who sometimes find it difficult to buy Japanese shares direct.

Tha bonds with equity warrants also generally carry a higher rate of interest than do the shares themselves. The warrants usually give the right to buy shares at just a small premium to the current share price, a gap which can be quickly made up in strong stocks markets.

An additional gronp of investors bas recently been allowed to buy warrants — tha Japanese themselves. The authorities in Japan, since the start of the year, bave allowed investors to buy warrants separately from the bonds. This has led to an increase in demand for them and new issues often trade well above their issue price in the first few days.

A need for banks to watch extent of commitment

Off-balance sheet risk

PETER MONTAGNON

THE PROFOUND change in international banking over the past few years has created fresh problems for central banks and government agencies responsible for supervising the banking industry.

At the core of their concern is the way in which the process of securitisation (or making debt tradabla) has shifted risk away from the published balance sheet to a position where it is less easy to gauge.

For example, banks involved in underwriting Euronote issuance facilities do not necessarily extend any finance to their customers, but they have to be prepared to do so if required under the terms of the deal. That involves what bankers call an "off-balance sheet" commitment, but it is a potentially real commitment all the same.

Supposing that a general credit crunch struck, or even that a large borrower in the Euronote market got into difficulties. Banks could find themselves having to put up large sums of money all at once.

Hidden

There is no telling whcther they would be able to raise these sums on terms that would leave a profit. Hence the risk involved in the original commitment even though it is hidden from public view.

The strength of the concern among central banks was made clear last year by their very own organisation, the Bank for International Settlements. In a study it warned bluntly of five main risk areas in the capital market of today.

First it said there waa now a two-tier market in which most actual bank lending was to lesser-rated customers who did not qualify for securities issues. That led to a second point which was that some large debtors, for axample, developing countries in Latin America, are excluded from the market altogether, making it hard for them to service existing debt.

Then the BIS went on to say that the returns on off-balance sheet business were too low for the risk and that securitisation had led banks to pile up marketable securities on their books. This gave an illusion of liquidity, but could lead to problems in a credit crunch which saw the value of these assets fall.

Finally, it said, the market had antered uncharted waters. It had little actual experience of the new instruments whlcb were growing at such a rapid pace.

Neither central banks nor market practitioners themselves could easily understand them. No one was therefore well-placed to cope with problems as they arose.

It all adds up to a chilling feeling of unease. Yet the regulators themselves have been slow to introduce reforms. The problems of setting np a coordinated international approach are legion.

If regulations become too harsh in main financial centres that could simply drive business elsewhere to places where it is not easily monitored. If one country introduces a tough regime, its banks will claim they are being discriminated against and unable to compete. What is needed, bankers say, is a level playing field in which all can compete on equal terms.

The Bank of England was the first to move with new rules last spring when it announced a thorough review of off balance sheet commitments and told banks they must back up Euronote commitments with capital to an amount half of that required for a straightforward loan.

Since then many other central banks have moved including the Bank of Japan and Federal Reserve. But it was as late as last month that the West German bank supervisory office announced plans to do the same, and in almost every case the regulatory issue is still at the study stage.

The Federal Reserve Board, for example, waited until January this yeer to announce its own proposals. Although its draft, which is now open for public comment, sets out a clear case for a revision of requirements, Mr Paul Volcker, its chairman, bas said they are unsatisfactory in several regards.

The proposal document argued that while banks have improved their capital gearing in recent years, they hove done this partly by shrinking their balance sheets rather than adding fresh capital. As good quality assets are easier to sell than poor quality loans there has been a tendency for banks to become less liquid and the overall quality of their assets bas declined. That means the improved gearing may not have been enough.

To counter this it suggested a system of measuring assets according to the actual risk they carry. Such a "risk asset" system is already used for banking supervision in the EEC and is shortly to be introduced in Japan. In the US it would be blended in witb the present system which relies simply on the total volume assets to arrive at an adequate capital size.

Weighting

Under the new system commitments under note issuance facilities would be given a weighting of 0.3 when the risk asset ratio was calculated. (Standard loans wonld have a weighting of 1 under the new risk asset proposals.)

Banks would have to calculate their overall risk asaet ratio and those with especially risky business on their books would have to raise new capital even if it was above the minimum 5.5 per cent of assets. Alternatively they could reduce the risk profile of their activities.

This is a cumbersome procedure and was controversial not least because of the rigid way in which it sought to categorise different types of risk. But the Federal Reserve also admitted initial defeat in its efforts to cover all types of off-balance sheet risk.

It said it did not know bow to evaluate the risks inherent in the $200bn interest rate swap market and simply sought advice through the public comment process.

It also asked those who offered comment on its proposals to try and identify other types of off-balance sheet risk to see how they could best be incorporated in its risk asset measure.

In other words, practical steps to regulate the newly emerging markets are etill in their infancy. Although the supervisors know the risks are there, they have a long way to go before they decide precisely bow banks should deal with them.

Foothold in Eurobond dealing could cost £7m

HE TRADING ROOM has come the new epicentre of e financial earthquake, as ms vie with each other to stall the biggest, the best, the ost technologically advanced.

What is happening today, wever, is a step beyond the acho competitiveness seen in e installation of computer stems in the 1960s and early 70s when better bells and nistles were the order of the y — whether or not the achine played in tune.

Now the most far-sighted alers accept that the quality d performance of their technology is critical to their perrmance in the marketplace. They know that well-planned formation and settlement stems can make all the difference to their competitive ge; they know also that they ve to ride the electronic hirlwind if they are to reap e full benefits of a technology hich can change dramatically the 12 months or so between e initial planning and final mmissioning of a new dealing om.

This is particularly true of e Eurobond and foreign exange market which has long en wholly electronic in aracter; where dealers have ed computer screens for inrmation, and telephones to de. Now the Eurobond aders are looking for the extra finements the latest technology can bring.

With the "Big Bang" which ll transform the City as a nancial centre only six months , much of the activity in new aling rooms is taking place London. Not as revenous some of the US efforts now ing planned or under conruction (1,000 or more desks not unusual) some of the w London rooms are, nevereless, among the most technogically advanced.

At Morgan Guaranty, for ample, in the City's Angel urt, each dealer faces six reens. Four of the screens e monitors which enable the aler to display any chosen formation service; the list inides Reuters and Telerate, gether with information ored on the bank's own comter systems and data from her brokers.

British Telecom's City Busiss System, is another, a very vanced telephone system hich enables dealers to conct other parties simply by uching the surface of a telesion screen. The "numbers" which can be a code of the aler's choosing appear as ages on the screen, 64 per reen or "page." Up to 200 ges can be called onto the disay using a master index.

The final screen, also a touch reen, is the key to the whole siness. It uses a technology lled gas plasma which proices a clearer, brighter image an either conventional video hich looks like a television age) or liquid crystal (like digital watch display).

This screen is the dealer's master control, enabling him or her to switch information services on the screens in front of him.

There are interesting aspects to the psychology of dealing room design. Morgan Guaranty's dealers claim they are happy with the system but a recent survey of some 100 financial institutions by the London-based consultancy First Market Intelligence (FMI) revealed that most dealers want a universal solution to the problem of "terminal clutter," in other words, they want a single screen on their desk and a single keyboard on which they can call up the information service of their choice.

The survey also showed that in some cases where the traditional typewriter style Qwerty keyboard had been replaced by a touchscreen or a tablet, (a technique in which the various options open to the dealer are inscribed on a board attached to the computer systems and activated by touching the surface with an electronic stylus), the original keyboard had to be replaced.

Technology

ALAN CANE

Dealers, it seems, are heavy-handed and keyboards (which simply unplug from the system) are more easily replaced than the more complicated devices.

(Interestingly enough, at Midland Bank in the City which boasts possibly the most advanced money markets dealing room in London, plans to issue dealers with telephone headsets had to be abandoned in favour of conventional handsets because: "They have to have something to throw in moments of frustration," according to Mr Michael Roden, assistant general manager and leader of the dealing room project.)

In some ways, the Morgan Guaranty Eurobond represents the last of a line. Management of the major financial institutions are looking these days for more malleable arrangement than a single room devoted to one kind of trading.

According to Mr Paull Robathan, a consultant specialising in dealing room design: "What these managers want today is a dealing room the size of a football pitch stuffed full of desks and with the ability to put any dealer anywhere with only 20 seconds notice."

In other words, flexibility. And that is the core of the problem, both for the dealer who cannot understand why they should not have a single screen for all their information requirements, and the management who are anxious to strike the right balance between cost and convenience.

It has to be remembered that the life of a dealing room is very short and expensive these days.

The principal problem in creating flexibility are the range of information services available — now over 200 in the City — and the separate needs of the different trading groups.

Traditionally, the major information companies like Reuters have provided their products as a video feed, a television-like signal which suits them very well because there is little their customers can do with it but display it on a video terminal.

A video switch, a device which converts all these video feeds to a single common denominator and distributes them to dealer desks on request is a conventional answer to the problem but it has its limitations—it becomes a major processing job as the number of information feeds increases and it is difficult to distribute colour cheaply.

A good example of such a switch is the Reuters Rich Composite Information System — although as consultants point out, it is less a product than a concept. Rich, an excellent engineering company, will simply build what the customer wants. So the Midland Bank room, for example, offers colour on each of the four dealer information screens. Some 60 personal computers are involved in the system but none on the dealing floor: "One floppy disk destroyed and your system is down," Mr Roden says wryly.

The best solution would be the advent of all digital information feeds, data distributed in computer language. A few services already exist in this form, several of them serving the Eurobond marketplace.

Digital feeds, in principle, can be converted and switched by a computer much more easily than video feeds and a great deal more can be done with the raw data — it can be fed in an in-house computer system, for example, manipulated in various ways, built into screen displays that exactly fit the dealer's requirements.

But all-digital information is some way off and video information is likely to persist for a long time. So the accent now is on mixed video and digital systems with a lot of interest in networks of small, powerful computers like the IBM AT and RT and the DEC MicroVAX. Such networks divide up the signal processing into a series of manageable units.

For the dealer, all of this is academic. All he or she wants is the fastest possible information in the simplest possible form. But like most things to do with computers, to give the customer an easy ride, the underlying technology must be powerful, complex and sophisticated. Which means that £5m-7m will continue to be the going price for a technological foothold in Eurobond dealing.

After a year of record new issues, the outlook is more cautious

Slowdown in bull market expected

Euro$ fixed rate bonds

MAGGIE URRY

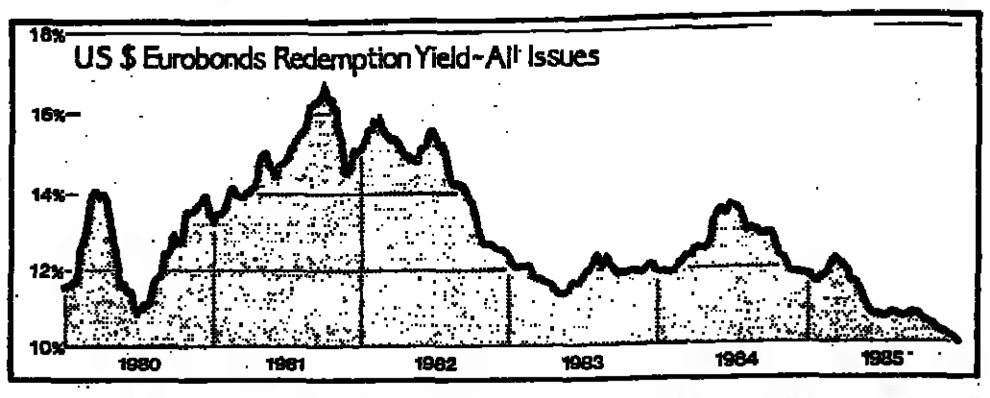
THERE SEEMS to be no stopping the growth of the Eurodollar market. Yet again, last year brought a record volume of new bond issues with Salomon Brothers estimating that fixed rate new issues totalled $41.5bn in 1985, up from $28.4bn in 1984.

True the market enjoyed declining interest rates throughout the year, and the trend of rates has been downward for some years now. At present the level of interest rates is as low as it was seven years ago.

This fall in rates has allowed bond holders to make good capital gains on their investments and, as inflation has preceded interest rates down wards, still take a real rate of interest on their bonds as well.

There has been no shortage of borrowers wanting to take advantage of these lower interest rates. With coupons on new issues below 9 per cent for shorter maturities, and under 10 per cent even for 30-year issues, borrowers are rushing to fix the interest cost now, fearing a rise in rates once more. A large part of the new issue activity has been refinancing of older, higher cost borrowings.

The market has not had it all its own way however. Early in 1985 the dollar, which had finally cracked. The currency started to fall and in September a meeting of the finance ministers of the leading five nations, the Group of Five, agreed that the dollar should fall even further and it duly did.



As a result the return to non-dollar based investors of dollar bonds has diminished. A German buyer of dollar bonds for instance could have lost his income and capital gains on the exchange rate. Whereas in previous years dollar bonds gave the best total return to many non-dollar investors, in 1985 the dollar sector came well down the list despite relatively high profits in dollar terms.

Further, as yields in the dollar sector have fallen faster than in other sectors they have offered less of a yield pick up against those other currencies. They are now about equal to coupons in the Ecu sector and only a couple of percentage points higher than in the D-mark and yen sectors where investors may still expect some currency gains.

Other parts of the market, meanwhile, have offered more attractive yields. Coupons on Australian and New Zealand dollar issues, on Canadian dollar bonds and even in the sterling market are significantly higher.

Traditional European retail buyers of bonds have often steered clear of the US dollar sector of the market and left the way open to other types of investors, primarily Japanese but to some extent also US-based, to fill the gaps in demand.

Exacerbated

So despite the bull market, the record volume of new issues has often been difficult to sell to investors. The problem has been exacerbated by extreme competition between issuing houses to win business. Often new issues have been priced ahead of declines in interest rates as lead managers bid aggressively for mandates. Then they have been left with large positions on their books which have taken weeks to sell.

Investors have been able to be selective in their buying and the balance in the Eurobond market has shifted away from US corporates in favour of the stronger credits such as sovereign and supra-national names.

A striking trend in the market, which looks set to continue for a while at least, is this change in investors' attitudes against US corporate names. One clear example is the case of Texaco. After the court judgment against the company late last year, its bonds fell sharply as investors rapidly reassessed the company's credit standing.

This is only an extreme instance of a general trend. The view of US corporates generally has soured as these companies become involved in expensive takeover activity and have added to the borrowings, reducing their credit standing.

Their scarcity value has been eroded also as more and more companies have come to the Eurobond market rather than tapping their domestic markets.

In earlier years it was possible for US corporates to borrow far more cheaply in Europe than at home, with the best names even able to offer yields to investors below those on US Treasury bonds. That pattern has reversed and the relative cost of borrowing in the Eurobond market has risen despite the fall in interest rates, until now many borrowers who are able to tap the US domestic market prefer to do so.

Another factor behind this change has been the after effects of the lifting of withholding tax in the summer of 1984. The catastrophic results of this US tax change, which allowed foreign investors to buy US domestic bonds without the 30 per cent tax on interest, predicted by many at the time have not materialised. But there has been a gradual change in the way of pricing of Eurodollar bond issues.

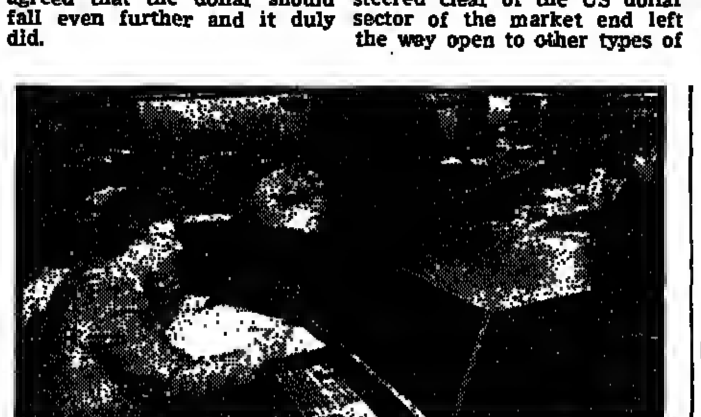
Once non-US investors could freely buy US domestic bonds, Eurobond issuers had to price their deals with a much closer eye on the US market. New issues began to be priced on a "spreads to Treasuries" basis, comparing the yield available on any issue to that on the US Treasury security with the same maturity. "Two years ago no one talked about spreads over Treasuries, a year ago a few people did. Now everyone does," one banker points out.

Significantly these spreads have generally risen over the last year as Eurodollar issues have been less cheap to borrowers than before. This shift in spreads is a function not only of the withholding tax change but also of the declining dollar.

Although outwardly in the best of health, there is cause for concern about the outlook for the Eurodollar fixed rate market. Many analysts now believe that interest rates could be near their low point and may even start rising once more.

Investors are increasingly reluctant to buy bonds with coupons well below 10 per cent. Further, the dollar is unlikely to turn round and resume its upward rise. The competition for investors' funds from the US domestic market could increase, and interestingly a recent issue for Amoco was saleable in both the Eurobond and US markets simultaneously, the first time this has been done.

While no one predicts the end of the Eurodollar bond market, many believe that 1986 will not be another record year.



Contrasts in dealing rooms: Midland Bank's newest has an uncluttered look compared with the room (below) using technology that was new in 1983.

The money becomes harder to make

Euro$ Floating rate bonds

MAGGIE URRY

IN THE 1980s floating rate notes have replaced the syndicated credit market. Is the FRN market the next to become outmoded? That is a question which many in the market are beginning to ponder as new issue volume dwindles and borrowers look to other, newer, and more flexible markets for their funding needs.

In recent years borrowers have flooded to the floater market as it offered a cheaper and easier alternative to arranging syndicated loans. They then continued towards lower cost floating rate notes with margins over the benchmark London inter-bank offered rate (Libor) narrowing—until margins were even set over the lower mean and bid rates.

Indeed Libor is losing its value as a benchmark, as some were predicting a year ago. Fees, another part of the cost equation, narrowed as well and in the past year there have been issues priced above par, unheard of before in this sector of the Eurobond market.

On the other side, investors were also eager to buy floaters. These are mainly banks, with the Japanese to the fore, which needed to buy assets guaranteeing a return above their funding cost even if it was only a slim one.

But now the process has gone another stage further. First borrowers, usually sovereigns and banks, have discovered that borrowing costs have fallen so much in the last year or two that they are exercising the call options on their older issues, redeeming them at par, and making new issues at a lower cost.

In 1985 although the volume of new issues was a record at $47.7bn up from $29.2bn, according to Salomon Brothers' figures, the amount of paper called during the year exceeded $11bn whereas in 1984 less than $1bn was redeemed early.

Borrowers' funding needs have shrunk too. The leading sovereign borrowers no longer want to borrow heavily in the international markets. Sweden is a case in point. This borrower was one of the largest and most innovative in the markets.

Over the past year it has called half a dozen issues, including its $750m perpetual, launched in June 1984, its $1.2bn 10 year issue, launched in January 1983, and now its $500m 40 year issue which was made in March 1984.

Although the country has borrowed in the Euromarkets since, many of its deals have been small fixed rate issues. The low level of interest rates in the fixed market has tempted borrowers into that market.

Even those borrowers that do still want floating rate funds can often get cheaper funds through fixed rate issues swapped into floating rate money than by doing a direct FRN issue. The growth of the facility markets has also siphoned off borrowing demand from the floater market.

Investors too have been less enchanted with the market, as they have found their profitable investments being called and the newer issues coming with such narrow spreads that it is barely worth holding them.

Some have been prepared to take a reduction in credit risk but have had their fingers burnt.

The lesser sovereign risks have come under pressure as traders were concerned by the fall in Malaysia's issues after the tin crisis. Though some realise that tin represents only a tiny proportion of Malaysia's export earnings, the market took it as a sign of what might happen, not only in Malaysia but elsewhere.

Similarly US bank issues were hit by the fears over the Third World debt crisis and over some types of lending in the US. After BankAmerica's fourth quarter figures were published, and the bank passed the dividend, a shock wave ran through the floater market cutting back other banks' issues, while one BankAmerica issue has traded down to 96½.

All is not doom and gloom in the market and many believe that the current malaise is only a passing phase which has as much to do with a flat yield curve as anything else.

Last year did produce another record in terms of issuing activity and it saw the UK's first venture into the Eurobond market with a $2.5bn floater issue launched in September. No other market could have provided the UK government with that much money so rapidly and at a low cost. The coupon is equal to the London Inter-Bank Bid Rate (Libid) and front end fees were 60 basis points.

There have been more innovations in the market too, though not all have been successful. The perpetual floaters which first appeared in 1984 became almost commonplace last year, with UK banks particularly prominent as issuers after the Bank of England allowed the issues to be deemed primary capital.

Mis-match issues, where the coupon is refixed more often than it is paid giving investors a play on the yield curve, also proved popular at times when the one- to six-month yield curve was steeply rising. These have recently been dull performers as the yield curve has flattened.

The market has also received, analysed and largely rejected issues with interest rate caps. These have coupons which move up and down with interest rates but which have a maximum coupon, usually at rates of around 13 per cent.

Although these issues offered slightly higher coupons than standard floaters, investors did not like the risk involved in the cap. As usual in the Eurobond market the limited demand that was there for these capped floaters from investors wanting the extra return, was rapidly overwhelmed by supply.

Borrowers liked the structure because the interest rate caps were saleable thus reducing the overall borrowing cost.

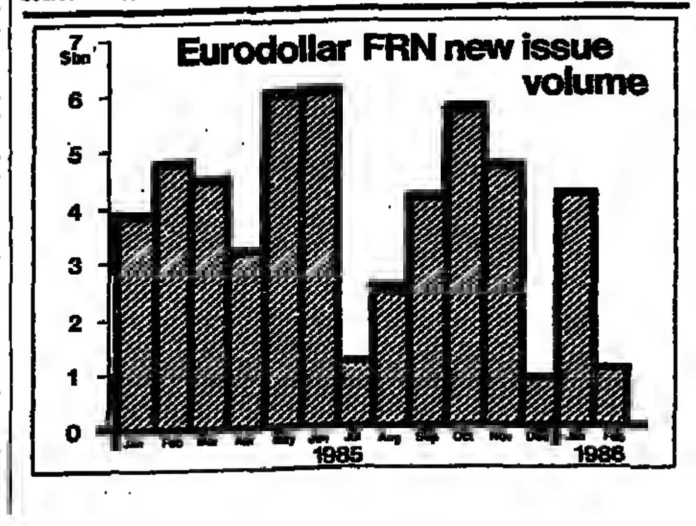
The easy profits of earlier years may now be gone, but the market has matured and there is still money to be made by those who can use it intelligently.

International Bond Market

PERFORMANCE IN 1985
(Total Rate of Return)

Bond Market	Performance in US$ Terms	Performance in Local Currency Terms	Currency Movement vs. US$
Euroguilder	43.46%	11.23%	28.98%
Euro-Deutschemark	42.96	10.75	29.08
ECU	42.46	13.98	24.99
Eurosterling	40.37	12.68	24.57
Euroyen	39.38	11.13	25.42
Foreign Swiss franc	34.95	6.88	26.26
Eurodollar	18.90	18.90	—
Euro-Canadian dollar	14.06	20.65	−5.46
Euro-Australian dollar	−7.14	12.72	−17.62

Source: AIBD, Merrill Lynch.



Further refinements attract borrowers

Euronotes and commercial paper

PETER MONTAGNON

OR THE first time last year ie volume of new Euronote suance facilities overtook at of syndicated loans. Once e mainstay of the international capital markets the ndicated loan has now become relatively rare and basically erielist product.

According to the Organisation r Economic Co-operation and evelopment (OECD) the olume of new note issuance cilities rose last year to 30.2bn from $28.8bn in 1984. yndicated loan activity deined to $43.2bn from $56.8bn.

Two main factors explain this end. The first is the fashion r securitisation of debt. This eens introducing an element f tradability so that, unlike a aditional bank loan, today's edit can be sold on to invesrs outside the immediate anking market.

The second is the continuing ebt problems of developing ountries which have rendered em ineligible to receive fresh ans unless they are actually ved from the banks as part of n IMF-sponsored rescheduling ackage.

Short-term notes

Under a Euronote facility a roup of banks contracts with a orrower to bid for its short-erm notes which can then be old on in the money markets. s the notes mature more are old so that the borrower has ccess to what is effectively edium-term money even hough he is paying short-term oney market rates. The whole erkage is backed by standby ank credit which can be rawn on if, for any reason, the otes fail to sell at a prepecified price.

Many borrowers, ranging from CI in Britain to the Republic f Portugal have found this a onvenient and cheap way of aising money.

The rates they pay are far ower than those charged on bank credits and often lower than the rates that banks themselves pay for borrowed funds. As a result the banks which pioneered these facilities have, in a sense, priced themselves out of the lending markets.

Increasingly as 1985 wore on it became clear that the Euronote market was able to operate smoothly and efficiently. Borrowers who had begun raising facilities largely to provide cheap standby credit lines began to draw on them.

They found their paper sold easily — for example short-term Swedish paper trades at roughly eight basis points or hundredths of a per cent below the benchmark London Inter-bank Offered Rate for Eurodollar deposits — and so many borrowers began to question the need for backing up their facilities with bank credit at all.

The result has been a further refinement of the market. Instead of launching formal facilities many borrowers are now simply appointing dealers to handle the sale of Euro-commercial paper.

This process, which for example has been successfully adopted by Canada's Export Development Corporation, is even cheaper because there is no need to pay banks a commitment fee for the medium-term standby back-up bank credit which accompanies a facility.

The only costs involved are the administrative ones on setting up and running the programme as well, of course, as the interest paid on the notes themselves.

Many bankers are now therefore wondering whether the note issuance facility market was simply a staging post in a trend that will ultimately lead to the full securitisation of the credit market. The popularity of commercial paper has extended into 1986 with programmes launched by such diverse borrowers as Sandvik, the Swedish industrial company, and Goodyear Tire and Rubber of the US.

Some borrowers, such as Switzerland's Nestle, have cancelled their original facilities and switched to pure commercial paper.

US corporations, in particular, have been entired into the Euromarket for such deals because of the narrowing differential between interest costs in Europe and their own domestic market. The Euro-commercial paper market also offers slightly longer maturities than are available in the US.

As a result it makes sense to be able to tap either market depending which is the most advantageous. Finally, another advantage of a European issue is that it does not necessarily have to be rated, although ratings are slowly becoming more common.

All this, of course, spells trouble for commercial banks. They face seeing their traditional lending business and corporate relationships slowly being eaten away unless they can themselves climb aboard the bandwagon and start dealing in commercial paper themselves.

That is precisely what many are trying to do, but it is still a difficult strategic decision to make in what is a highly competitive and very young market.

The top dealers

In eurocommercial paper*

Name	Number of programmes
Citicorp	33
Merrill Lynch	31
Crd. Suisse First Boston	30
Swiss Bank Cpn. Intl.	22
Morgan Guaranty	13
Morgan Stanley	13
Salomon Brothers	13
Shearson Lehman	12
Enskilda Securities	11
Chase Manhattan	9
S. G. Warburg	7
UBS (Securities)	7
Bank of America	6
Bankers Trust	6
First Chicago	6

* Based on programmes published between start of 1985 and mid February 1986.

Source: International Financing Review.

One thing is abundantly clear. The process of change and innovation is still going on in this sector of the Euromarket. Quite possibly it will eventually settle down to contain elements of the old syndicated loan market, the note issuance market and Eurocommercial paper, but no one yet knows in what proportion.

Against the argument for total dominance of commercial paper are ranged several important factors. One is that regulatory restrictions still prevent its issue in most currencies apart from the dollar and the Ecu.

Another is that commercial paper might prove hard to sell in a market situation where the dollar was falling and interest rates were rising. Finally, commercial paper offers no ultimate assurance to borrowers that they will be able to raise money if the market turns against them.

For some of these borrowers there will therefore always be a need for a bank back-up credit. Swedish corporations are a case in point.

In Sweden exchange control regulations require companies making acquisitions or investments abroad to finance themselves with foreign borrowing carrying a maturity of at least five years. Commercial paper cannot count in this respect, but a facility with a back-up credit can.

Some borrowers also do not want the extra work of managing a commercial paper programme and prefer the simplicity of a Eurocredit. Belgium raised a $500m credit earlier in the year carrying an initial margin of just ⅛ per cent over Libor. That shows that even credits can be cheap these days.

It also wanted a multi-currency operation so that it could draw the funds in D-marks and Swiss francs which are not readily available under Euronote facilities. Finally, Belgium has always been cautious about offering securities abroad for fear that residents might buy them and evade taxes as a result.

Eurocredits also remain an option for those borrowers whose credit standing is not quite good enough for them to tap the securities markets in any large amounts. Algeria, for example, which is wrestling with the economic problems brought about by the falling oil price, launched a $300m credit last month carrying a margin of ⅞ per cent.

The Soviet Union and most other East European borrowers prefer the Eurocredit market as it offers cash in hand, while a Euronote facility would leave them vulnerable to short-term swings in political sentiment.

In contrast to the Eurocommercial paper market, the syndicated loan market has got off to a quiet start in 1986, but some bankers do perceive just a glimmer of light at the end of the tunnel.

As interest in the floating rate note market has waned, it has become apparent that credits can still be offered on highly competitive terms. Even margins below ⅛ per cent are acceptable for the best names, as a recent £210m deal for Standard Life Assurance of the UK shows.

Below Libor

Most banks can now fund themselves well below Libor so there is still a profit in such deals, especially if they carry a transferability feature which allows them to be sold on in the secondary market.

Moreover, government agencies responsible for supervising the banking system are beginning to look more closely at the off-balance sheet commitments incurred by banks involved in note issuance facilities.

Their fear is that banks could suffer losses if all the facilities were drawn at once. A clampdown including higher capital requirements on these operations could therefore make them unattractive from a profits point of view — and that too could help revive the credit market, albeit with very low margins.

From today's vantage point with commercial paper all the rage this looks like a very long-shot hope. But it could happen and many bankers whose fortunes — and careers — were made in the old syndicated loan market have still not entirely given up hope.

هكذا من الأصل

Substantial rise in activity

D-mark bonds

MAGGIE URRY

THE PACE of change in the Deutschemark capital markets has surprised many observers. A year ago liberalisation moves were only just beginning to take shape in the minds of the authorities. But in April last year many of the shackles on the market were suddenly thrown off and when May Day dawned the first of the new types of instrument permitted had already been launched.

Since then activity has increased *substantially* and for tha first time foreign-owned banks based in West Germany have led D-mark denominated foreign bond issues. Floating rate notes and zero coupon bonds have appeared. Swaps have been permitted and used.

Eurodollar bonds have even been launched bearing warrants to buy D-mark issues. Banks have had to take a much more responsible approach to the volume of the new issue calendar.

There is just a feeling, though, that in some areas, the market is trying tn run before it has learnt to walk but some bankers would like to see further moves to make the market even freer.

Under the Bundesbank's liberalisation plan, the old system of setting a monthly calendar with borrowers' names, issue size and the date of launch, was swept away. The committee of the major West German banks which met regularly to set the calendar has gone and now lead managers are required to notify the Bundesbank of their intentions to launch issues up to three working days before the end of the month preceding the issue.

Although the Bundesbank is informed of the borrower's identity and dates for issues are agreed, the only information released is a total figure for the amount to be raised in the month with the number of issues, split into the categories of issues, such as fixed rate bonds, floating rate notes, zero coupon bonds and warrant bonds.

This secrecy about the names of borrowers, which is standard in other markets, has caused some annoyance among investors who like to know what issuers to expect and make their commitments accordingly.

Some bankers would like the system to become even more free by adopting the method of the Eurodollar market where issues are launched when tha lead managers believe the market is right or at the time they win the mandate. The Bundesbank wishes to keep an eye on the deals that are coming, though, and it may be some time before the calendar is abandoned altogether.

The introduction of swaps, both currency and interest rate, has made an enormous difference to the market and made it harder for lead managers to set dates in advance for issues. Swaps are often delicate to arrange and need to be done at the last minute. Borrowers may only be interested in making an issue if a swap is attached.

So bankers admit that they are now informing the Bundesbank of deals which they hope to do, but are not certain of. In the last few months the actual number and amount of new issues have been below the figure announced at the start of the month.

Swaps, allowed for the first time under the liberalisation, have attracted far more borrowers to the market. Many have no need for D-marks but can now use the market to arrange issues which are then swapped with a counter party to produce funds in another currency.

Zero coupon bonds have also been a successful innovation with good demand appearing from investors who can use these bonds tq defer tax payments until maturity. The World Bank had a notable success with a 30-year zero coupon issue, launched in December with a redemption value of DM 1bn. Such was its reception that last month another issue of the same size was launched which is fungible with the first.

The seal of approval on the market was given last month when the West German Government indirectly borrowed in the market through the Post Office and a vehicle company. Four zero coupon issues were issued publicly with maturities out to 30 years.

One sector of the market which has not done so well is the floating rate note area. Although the first issues launched under the new system last May were floaters, and traded well, there was a flood of issues in the autumn which put severe pressure on the market.

Most of them came with interest rate caps, a device first used in the Eurodollar market. The excess of issues weighed down the market until most deals traded at big discounts to their issue prices.

Bankers argue that thera is little demand for floating rate paper within the country and say that work needs to be done to develop an interest. The turnover tax in the West German stock markets, at 0.25 per cent, also makes unattractive active trading of floaters, which are often bought and sold to make a few basis points profit. As a result most of the trading in floaters has taken place in London.

The Bundesbank is anxious to keep the D-mark bond market firmly anchored within the country. Indeed the authorities seem willing to abolish the turnover tax if that is the price for keeping trading within the German stock exchanges.

The market itself has generally enjoyed favourable conditions over the past year. The currency has been strong against the dollar, encouraging the inflow of funds to the market. Interest rates have fallen and inflation is now at a low level. Yields have fallen over the last year from close to 8 per cent to under 7 per cent.

Great changes have taken place in this market over the last year and some of the success of the new system is due to tha bull market over the same period. Further changes are likely and are welcomed by bankers ready to compete in the international markets.

ECU Bonds: Breakdown by borrowing country/institution

(Volume Ecu m, number of issues in brackets)

	1985	1984	1983	1982	1981	Total 1961-85
EEC Institutions	380 (10)	1,030 (15)	580 (12)	192 (4)	97 (3)	2,779 (41)
Italy	3,445.5 (12)	1,425 (3)	600 (1)	1,240 (3)	65 (2)	6,775.5 (21)
France	1,870 (21)	570 (11)	527.2 (15)	360 (7)	—	3,327.2 (54)
West Germany	240 (5)	50 (1)	—	—	—	290 (6)
UK	260 (3)	140 (3)	50 (1)	—	—	450 (7)
Belgium	163.5 (4)	7.8 (1)	165 (3)	—	—	336.3 (8)
Luxembourg	40 (1)	60 (1)	—	—	—	100 (2)
Denmark	425 (6)	137 (3)	—	—	—	562 (9)
Ireland	200 (3)	100 (2)	50 (2)	30 (1)	—	390 (7)
Netherlands	300 (6)	—	—	—	—	300 (6)
EEC TOTAL	7,324 (70)	3,519.8 (40)	1982.2 (34)	1,822 (15)	162 (5)	15,310 (164)
Other European Institutions	225 (4)	40 (1)	35 (1)	55 (2)	—	355 (8)
Rest of the World						
Spain	—	46.5 (1)	—	—	—	46.5 (1)
Austria	132.5 (2)	160 (2)	—	—	—	292.5 (4)
Norway	70 (1)	—	70 (2)	—	—	140 (3)
Sweden	60 (1)	147.5 (3)	140 (3)	—	—	347.5 (7)
Finland	273.5 (7)	85 (2)	—	—	—	358.5 (9)
US	1,182.5 (15)	96 (3)	40 (1)	15 (1)	—	1,333.5 (20)
Canada	—	85 (1)	50 (1)	50 (1)	40 (1)	225 (4)
Japan	831 (17)	170 (4)	80 (2)	—	—	1,081 (23)
Australia	265 (5)	90 (2)	—	—	—	355 (7)
South Africa	150 (3)	80 (2)	—	—	—	230 (5)
Others	600 (8)	175 (3)	—	—	—	775 (11)
International Institutions	585 (5)	200 (2)	150 (2)	—	—	935 (9)
TOTAL	4,149.5 (64)	1,335 (25)	530 (11)	65 (3)	40 (1)	6,119.5 (103)
WORLD TOTAL	12,198.5 (138)	4,894.8 (66)	2,547.2 (46)	1,942 (19)	202 (6)	21,784.5 (275)

Source: Istituto Bancario San Paolo di Torino

Appeal in different continents

Ecu bonds

VANESSA ZECHA

THERE CAN be no doubt that the European Currency Unit—the European Community's quasi-currency—is now a well-established force in the Eurobond market, and that it is nothing if not innovative.

In 1985 it ranked third among Eurobond issue currencies, eclipsed only by the US dollar and the Deutsche Mark. But after a period of record growth the Ecu bond market can this year only expect to consolidate its position.

Pioneered by the big Belgian banks—Banque Bruxelles Lambert, Kredietbank and Société Générale de Banque — along with some continental and London banks, the five-year old bond market is the most advanced of the Ecu's uses.

It has come a long way since its debut in March 1981 for Société Financière pour les Télécommunications et L'Electronique (SOFTE), with new issue volume up from a mere Ecu 200m in its first year to Ecu 12bn in 1985. This, in turn, represents a threefold increase on 1984's total.

Although this year is not likely to see a repeat performance of 1985's buoyant new issue activity, its popularity will receive a further boost from the newly-agreed centralised clearing system, under the helm of the Basle-based Bank for International Settlements, which will come into operation towards the end of 1986.

The market, still overwhelmed by last year's volume of paper, has been somewhat in the doldrums ahead of yesterday's French parliamentary elections and because of fears over realignment of Ecu central rates. However, despite the slow start, and defections to the Deutsche Mark and Danish kroner, demand for Ecu bonds is already beginning to show signs of life.

The attractions speak for themselves. Portfolio diversifications, exchange rate stability and relatively generous yields appeal to EEC and non-EEC investors alike. Even if investors prefer to construct their own risk profile (i.e. a subset of the Ecu basket), the Ecu is still a good bet on account of long-term access to component currencies which might otherwise not be available.

Ecu bonds are particularly attractive to those who expect the dollar to depreciate against European currencies but do not care for the lower interest coupons on Swiss franc and D-mark paper, despite ever narrowing spreads between them and the Ecu.

Ecu coupons have continued to fall since 1984. By the start of last year, rates had eased to 10 per cent for primary international names, culminating in IBM's 8½ per cent issue last July, which also broke new ground by sporting the largest ever French franc swap.

For the borrower, there is the added advantage of more stable interest costs in Ecu borrowing as rising interest rates in one component currency will likely be balanced by a fall in another.

Inroads

Spurred by the ubiquitous swap market and sophisticated hedging techniques via futures and options contracts—introduced this year on the New York Cotton Exchange, the Chicago Mercantile Exchange and the Philadelphia Stock Exchange—it is hardly surprising to see Ecu bonds making inroads in previously uncharted territory, especially the all-powerful institutional investor.

The Ecu bond market now offers almost the entire spectrum of Eurobond instruments including zero coupon issues, cross-currency convertibles, equity warrants and even "harmless" warrants. Over half the amount of Ecu bonds issued last year were linked to swaps with which Banque Parabas has always been closely associated. In 1985 alone it completed some Ecu 2bn worth of currency swaps.

The market's explosive growth owes much to increasing support outside its Benelux stronghold. Its popularity has spread as far afield as Japan, the US and the Middle East, thanks to proliferation of issues targeted to these national markets.

The drive to internationalise the Ecu began just over a year ago when the EEC launched its first ever American flavoured Ecu 200m issue in the US domestic market. Hard on its heels came another EEC transaction aimed at Dutch investors, followed by the European Investment Bank's sizeable Ecu 130m issue geared towards the Swiss.

The trend continued throughout 1985, with the EIB issuing a host of other Ecu bonds structured for regional markets. The EIB's assault went so far as to launch early in the year the first Ecu bonds targeted to three chosen markets at once—the Netherlands, Switzerland and Japan. Euratom's Ecu 50m issue, on the other hand, looked to the Middle East for its buyers.

Japanese borrowers and banks have both played a major role in broadening the Ecu's base. The first quarter of 1985 saw not only the first issue lead-managed by a Japanese institution, for Banca Nationale dell'Agricoltura, but also three Japanese companies tapping the market in close succession, including the first Ecu "sushi" for Seiyu, the supermarket giant which has already made a name for itself in the Euro-bond market.

The Ecu's push into the US market, however, was all the more important, with ever more American portfolio managers reaching out overseas, realising that broadening exposure helps to diversify risk.

The Ecu appeals to US investors who are worried that the US dollar has peaked. European investors are equally keen to acquire foreign currency debt of high-quality American corporations such as Hercules, whose Ecu 50m issue last March was the first for a US company in its own market led by an American house.

For the borrower, the Ecu presents a hedge for all its European assets. Even if the currencies in the Ecu basket might not be an exact match to the company's European currency assets, single-currency hedging transaction costs are, by virtue of implication, lower than multi-currency ones.

Closer to home, the French and Italians are still the largest issuers, accounting for nearly *half* the amount raised last year, with EEC institutions not far behind. Collectively, they have been responsible for the bulk of innovation in this market.

The Italians came with their Ecu floating-rate CDs. Treasury Certificates and their record Ecu 300m floating-rate note (FRN) issue last September, double the size of any floater in this sector.

Variation

To ensure liquidity in such paper, they were careful to choose a lead manager such as Bankers Trust, an established dollar FRN heavyweight. Unlike Ireland's Ecu 150m floater which met with some controversy over its ambitious pricing of ⅛% over Libor, the Italian FRN was priced on the generous side.

Another important variation on the FRN theme was introduced in the same month by Electricité de France. It launched the concept of dollar-denominated FRNs with warrants allowing the exchange into Ecu-denominated paper. The new phenomenon soon gained momentum with the Public Power Corporation, Credit Commercial de France, Union Bank of Norway, Northern Telecom and Credit Foncier all jumping on the band-wagon.

Since FRNs are largely bought by banks and money-market type institutions, the Ecu floater market has been somewhat hampered by a reluctance to hold the notes for fear of poor liquidity. This is slowly changing now that sizeable transactions such as the World Bank's Ecu 350m issue last September have begun to surface. Institutional investors like the liquidity provided by an issue of that size.

Signs of tension begin to surface

Swiss Franc bonds

WILLIAM DULLFORCE

RELATIVELY SPEAKING—for *change is never hasty* in Switzerland—the Swiss franc bond market is in a state of ferment. The new issue business is flourishing, recording substantial volume growths in both foreign and domestic bonds last year, but signs of tension are bubbling to the surface.

The big Swiss banks, acknowledging a loss of market share in new issues—most recently to US banks—and anticipating stronger competition from the D-market, cut their underwriting fees at the beginning of this year. United Bank of Switzerland chose the announcement of a fine 1985 profit increase to denounce the quality of some borrowers being brought on to the Swiss capital market by smaller issuing syndicates.

Earlier, the Swiss National Bank had stirred up a row by suggesting that the time might be coming to open up the Swiss franc issuing business by easing the rules which limits syndication to financial institutions domiciled in Switzerland. The big banks objected. The National Bank argued that it was facing up to the realities of evolving financial markets, but backtracked partly when it added that it was still only studying the question.

Many Swiss bankers, including some from the big banks, however, admit that in tha not too distant future—say, five to 10 years—the jealously guarded Swiss franc bond business will have become part of the Euromarkets. "That is why" said one banker, "the fight is starting for market shares and over commissions." The Swiss franc, it must be remembered, is still second only to the dollar as the favoured currency on the bond marketa.

The Swiss capital *market* as a whole put in a very strong performance last year. The Swiss Bank Corporation general index for the stock markets climbed 57 per cent during 1985 and, if there were signs that Swiss shares were entering a consolidation phase in the first two months of the current year, bonds appeared to be maintaining their momentum.

Last year the volume of new foreign bond issues increased by more than half to SFr 18.8bn ($8.8bn) while new issues on the captive domestic bond market advanced by 19 per cent to SFr 11.2bn. The swotten "notes" market for medium-term maturities up to eight years stagnated at around SFr 19.4bn. Japanese borrowers, although they remained the most powerful force by far in that market, did not launch as many convertibles and warrant issues.

Yields, like interest rules, were on a declining trend. The average yield on Swiss public authority (confederation and controll bonds was down to 4.26 per cent at the end of February this year. The yield oo domestic bonds had declined to 4¾ per cent at the end of December and dropped to 4.56 per cent at the end of February.

Yields on foreign bonds moved from a peak last year of 5.82 per cent to5 .12 per cent by the end of 1985 and in the last ten days of February this year had slipped below 5 per cent. Banks were reporting some resistance among subscribers to bonds with coupons of less than 5 per cent. Second-quality bonds at 5¾ to6 per cent were being matched up while another way of placing was to keep coupons at 5 to 5¼ per cent and lengthen maturities.

A feature of the domesti bond market last year was the large number of convertible and warrant issues launched by Swiss companies taking advantage of the booming shares market. They raised some SwFr 2.5bn in these types of bonds last year compared with an average of around SwFr 300m in previous years.

Switching

Among several reasons for the surge in Swiss franc foreign bond issues not the least was the fall in the vslue of the dollar. Investors have been switching their dollar earnings into Swiss francs.

The "safe haven" image of the Swiss franc has been bolstered by the country's steady economic growth over the last two years and the manageable budget deficits maintained by the Confederation and cantons. Inflation is not a problem in Switzerland at the moment with the National Bank confidently reducing its money supply target to 2 per cent for 1986 after seeing the growth in the monetary base restricted to 2.2 per cent last year.

The Swiss bond market has also become more innovatory. It has just seen its first zero coupon issue, first quasi-perpetual—the KLM issue with the coupon reset every 10 years—and its first two perpetual issues, for Air Canada.

It was however, the rush of swap-driven new issues in the latter half that left the deepest impression on the Swiss franc market last year and focused the growing tension between the big Swiss banks and the intruding foreigners. The swaps signalled the return in force of US borrowers and the growing influence of the US banks in Switzerland.

The syndicate controlled by the big Swiss banks saw its share of new issues tumble to 61 per cent in 1985 and to less than half of the new issues in the first two months of the current year. Morgan Guaranty, after operating for only a couple of years on the new issues market, was ranked number five last year.

To win mandates in a market, where the regular borrowars had been almost entirely monopolised by the big bank syndicate, the US banks had to bring in new names and ideas. Tha attraction of Swiss franc interest rates, the possibility of raising cheaper dollar finance through swaps and the US banks' smarter skills in organising the swaps all resulted last year in a substantial foreign bridgehead being driven into the Swiss franc market.

Why Morgan Guaranty manages bond issues in more currencies than any other underwriter

Major borrowers increasingly are turning to the international currency markets to meet both their dollar and non-dollar financing needs. And they choose Morgan Guaranty to manage issues in a wider range of currencies than any other underwriter. Issuers give Morgan these mandates because we have the capital strength, global resources, and skills to structure the most advantageous financings—in any currency.

Issuers like those in the table require a lead manager that participates in all key international securities markets, and has the ability to identify attractive financing opportunities in each of them. When borrowers ask Morgan Guaranty for advice they get that and more.

They find that our capital strength—over $5 billion in primary capital—reduces their cost and risk in intermarket arbitrage. They also find our currency and interest-rate swap specialists can help them create dollar obligations at the lowest cost.

Here are examples of how we helped borrowers take advantage of new opportunities in foreign-currency bond markets in 1985, when more than half of all international debt issues were in non-U.S. dollar currencies.

Deutschemarks. Morgan Guaranty GmbH was lead manager of an R.J. Reynolds DM265 million issue swapped into U.S. dollars. This was the first straight Euro-Deutschemark issue in which a foreign-owned firm acted as book-running lead manager.

French francs. We were co-lead manager of eight French franc issues, more than any non-French bank. We co-led, with two French banks, a Gaz de France issue that reopened the Euro-French franc bond market after a four-year lapse. Then we co-led French franc issues for IBM France, the Kingdom of Sweden, Mobil, Electricité de France, and Unilever.

ECUs. Morgan was lead or co-lead manager of ten ECU issues, including an ECU100 million issue for Security Pacific Australia which we swapped into U.S. dollar financing.

Swiss francs. Morgan Guaranty (Switzerland) Ltd launched as book-runner a SF235 million issue which we combined with a currency swap to provide 15-year U.S. dollar financing for R.J. Reynolds. Increased to SF275 million, this was the largest Swiss franc offering to date by a U.S. company. In the Swiss public bond market we were also book-running lead manager for issues for Chrysler, ITT, PepsiCo, Olivetti, and the first zero coupon issue for the World Bank.

Sterling. We were book-running lead manager for Euro-sterling bond issues for British Petroleum, Sterling Drug, and N.V. Amev. In addition, Morgan lead managed a $100 million issue for Minnesota Mining & Manufacturing that was the first dollar/sterling dual-currency issue ever.

Australian dollars. Two issues for Bank of Tokyo and one for Dresdner Bank were among the seven A$ issues led or co-led by Morgan.

New Zealand dollars. We led ten issues, including a NZ$75 million Coca-Cola Financial issue which we swapped into fixed-rate U.S. dollar financing.

Lira. We were co-lead manager of the first U.S. corporate Euro-lira issue for United Technologies, for Lit50 billion.

Danish krone. We were lead manager for the first two issues in the Euro-Danish krone bond market, which opened last year.

Yen. For J.C. Penney, we arranged U.S. dollar fixed-rate funding, at a cost below the yield on U.S. Treasury notes, through a Euro-yen bond issue and currency swap.

We deliver innovative services in the capital markets with the same high quality and skill that have long been hallmarks of all Morgan banking. Challenge us with your next complex financing problem.

Morgan Guaranty Ltd, 30 Throgmorton Street, London EC2N 2NT

Morgan Guaranty Trust Company, 23 Wall Street, New York, NY 10015

Incorporated with limited liability in the U.S.A.

Selected non-U.S. dollar issues lead-managed by Morgan Guaranty in 1985

Bank of Tokyo	A$50 million
British Petroleum	¥17 billion
British Petroleum	£50 million
Chrysler Financial	SF160 million
Chrysler Financial	NZ$65 million
Coca-Cola Financial	NZ$75 million
European Investment Bank	DKR250 million
Ferrovie	£100 million
Gaz de France	FF500 million
IBM Credit	NZ$60 million
IBM France	FF700 million
IBM World Trade	ECU150 million
Kingdom of Sweden	FF500 million
Marubeni	C$200 million
Mass Transit Railway (Hong Kong)	HK$700 million
McDonald's	¥25 billion
Mobil	FF500 million
Nordic Investment Bank	DKR200 million
N.V. Amev	£50 million
Olivetti	SF100 million
PepsiCo	SF130 million
Peugeot	FF500 million
R.J. Reynolds	DM265 million
R.J. Reynolds	SF275 million
Security Pacific	ECU100 million
Sterling Drug	£30 million
Syntex	¥20 billion
Unilever	FF250 million
United Technologies	Lit50 billion
World Bank	SF600 million

The Morgan Bank

International status still a long way off

Euroyen and Samurai bonds

CARLA RAPOPORT

WHILE JAPAN has gone international with its goods and services, the yen has mostly stayed at home. Of the currencies used in world trade, for example, the US dollar accounts for more than half, while the yen accounts for only 2 per cent. Or consider official reserve currencies: the dollar accounts for 70 per cent, the D-Mark 12 per cent and the yen only 4 per cent.

Not surprisingly, the Euroyen bond market opened with more of a thud than a bang when deregulation in 1984 swept away most of the hurdles for qualified companies wanting to raise yen outside Japan. Only a handful of issues took place in late 1984 and early 1985.

Last year, however, the market picked up. According to Ministry of Finance statistics, residents made 12 issues worth Y235bn (£903.8m) between April 1985 and January this year, while non-residents raised more than Y1,300bn with 67 issues. For the first time, Euroyen bonds last year outstripped the value of yen bonds (Samurai bonds) raised by foreign companies in Japan.

The reasons for the larger volume has less to do with the attractiveness of the yen but more to do with the eagerness of Japanese financial institutions to establish themselves in overseas capital markets. Almost none of the foreign borrowers, and very few of the domestic ones, hold their proceeds in yen. As soon as a Euroyen bond is raised, it is almost always swapped into dollars.

Although some call this an arbitrage market, it really is something else. The mechanism works as follows: A Japanese financial institution goes to a AAA-rated US corporation and finds out on what terms it would like to raise dollars.

If the company says US Treasuries plus five basis points, the Japanese institution gets out its calculator and works out the issue via a swapped Euroyen bond. It then services the yen payments and receives dollars from the borrower.

This means lower spreads for the Japanese institutions, but even the most uncharitable foreign banks call the terms "aggressive, not crazy."

Not surprisingly, as a result, the big four Japanese securities houses, Nomura, Daiwa, Nikko and Yamaichi, acted as lead managers for more than 80 per cent of the Euroyen bonds issued last year. Even domestic borrowers, such as Sumitomo Metal and Kawasaki Steel, went to the Euroyen market with the intention of swapping to other currencies.

Another factor adding fuel to the Euroyen market last year was a decision by the MoF to allow dual currency bonds, floating rate notes, zero and deep discount bonds and bonds with warrants. Of these, dual currency bonds were the most popular, thanks to the dollar's weakness.

A dual currency bond allows borrowers to raise funds and make repayments in one currency while investors may redeem them in another.

Unfortunately for a lot of investors, a cluster of dual currency bonds was launched a few months ago when few thought the yen would go below 185 against the dollar. As the dollar is now hovering around Y180, a number of investors have suffered capital losses on their dual currency Euroyen bonds. As a result, the enthusiasm for that market is expected to wane.

As for the Samurai market, most bankers say it will continue to take a back seat to the Euroyen market. At the moment, for example, borrowers have to pay more for their money in the domestic market than in Europe.

This is simply because Japanese institutions are slow to reduce yields even if domestic interest rates have come down.

Further, it takes longer to arrange a Samurai bond in Japan, the fees are somewhat higher than abroad and the borrower is liable for more tax than in Europe. A Euroyen bond, by contrast, can be arranged in about 10 days.

The future for Samurais, it is thought, will be with those borrowers who need to maintain a presence in the domestic market, such as sovereign borrowers and banks like the IDB.

Turning back to the Euroyen market, most agree that it has some way to go before it can properly develop into a stand-alone yen market. Most of this has to do with further deregulation still under study by Japan's MoF.

For example, take the Euroyen CD market. At the moment, Euroyen's CDs are limited to six months' maturity. As a result, this restricts a foreign bank's ability to fund itself on a long-term basis.

"Banks simply do not have a market source for term Euroyen funds," said Mr Tatsuo Umezono, senior vice-president of Citicorp Investment Bank in Japan.

If there were no restrictions on CD maturities, according to Mr Umezono, many banks would issue three- and five-year Euroyen CDs, which in turn would open up the market more quickly. However, he and others note rather glumly that there is no sign that the MoF will eliminate their restriction anytime soon.

This is because short-term and long-term lending institutions are still divided in Japan, and such a move would allow short-term lenders, such as city banks, into the province of the long-term credit banks.

In the meantime, the outstanding balance of Euroyen CDs went below Y50bn at the end of September, down from about Y150bn at the end of 1984. Many believe this market may just lie down and die if the MoF does not change its mind.

Another stumbling block to the full development of the Euroyen market is taxation. While Japanese bonds can raise non-yen bonds without paying witholding tax, they are liable for this tax when raising Euroyen bonds.

In practice, this means that the coupon on the bond is paid gross to the investors while the Japanese borrower must pay another 20 per cent of the coupon to the Japanese tax authorities.

Such a system does not net much tax for the Japanese Government, as Japanese companies simply borrow in other currencies and can swap into yen tax-free. Most expect this taxation regulation to fall within the next year or so.

Falling behind on real expansion

Eurosterling

PETER MONTAGNON

NEW ISSUE activity in international sterling bonds expanded strongly last year to a total of just over £5.5bn from some £4.2bn in 1984, according to figures compiled by Baring Brothers, the UK merchant bank.

Within individual market sectors, however, there was a distinctly diverse trend with new issues of bulldog bonds slipping to £710m from £1.1bn in 1984. The issue of Eurosterling bonds climbed by contrast to £4.8bn from just £3.1bn in 1984.

Bankers say that the slowdown in the bulldog market reflects its more cumbersome queuing procedure compared with Eurobonds, as well as a certain reserve on the part of potential borrowers towards a currency carrying what are by international standards very high interest rates.

In the Eurosterling market volume was boosted by a strong flow of issues from building societies, which started tapping the markets last autumn ahead of a change in regulations allowing them to pay interest gross to bond investors. Floating rate issues last year made up more than half the new issue volume in the sterling market, Baring Brothers says.

Yet for all last year's market expansion, sterling issues still make up only 4.2 per cent of the Eurobond market. This is roughly half the share of the D-mark sector and well behind new-issue volume in both yen and Ecus. It pales almost into insignificance when compared with the dollar's share of 69.7 per cent.

For all the depth of the sterling money markets and the currency's importance in foreign exchange trading, sterling thus somehow seems to have lost out on the real expansion that has been going on in the international capital markets. Without the special factor of the building society floating rate notes, which last year accounted for new issue volume worth £1.13bn, total new issue activity would have grown very slowly indeed.

Bankers say there are two major deterrents to an expansion of activity in this market. The first is the high level of interest rates and the volatility of the currency. Borrowers are deterred by the high cost and investors are often reluctant to commit themselves given the exchange rate uncertainties.

The second problem is the difficulty of arranging swaps. Activity in interest and currency swaps has become so widespread now that many borrowers automatically expect to be able to swap the proceeds of their issues into another currency and interest rate structure. In sterling this is difficult, however.

In the first place there is no clear pattern to the pricing differential between Eurosterling bonds and the domestic government bond market. Such a differential exists, for example, in the market for Eurobonds in Australian and New Zealand dollars which have always carried a substantial yield discount on domestic issues.

It is this discount and the swap opportunity it creates that has attracted borrowers to these markets and helped create an expanding Eurobond market in the two currency sectors.

According to research conducted by Hambros Bank, Eurosterling bonds can be sold at a discount to gilt-edged stock at times when foreign investors expect the currency to appreciate. Such a situation occurred in early 1985 when there was a sudden surge of activity in the market, but later in the year investor interest subsided as oil price worries began to dominate the currency outlook.

That means that swap opportunities are sporadic at best in the Eurosterling market. Even supposing market conditions are favourable it may not, however, be all that easy to arrange a swap. The reason is that there are relatively few domestic takers of fixed rate sterling who would act as the counterparty.

Despite continual encouragement by the Bank of England, a corporate sterling bond market has been slow to develop in the UK. Company treasurers are reluctant to commit themselves to long-term fixed rate finance as they tend to prefer to wait and see whether rates will move lower. Sometimes, therefore, finding an appropriate swap for a borrower who wants to issue in the Eurosterling market can take as long as a year.

Bankers believe that the dearth of swap opportunities will always be an inhibiting factor in the development of the Eurosterling bond market. But the building societies have injected new life into the floating rate sector, where their issues now account for about a quarter of all outstanding deals.

Nonetheless, they did not get off to an entirely easy start. International investors were unfamiliar with the building society credit and tended to confuse them with US thrift institutions which have been the subject of adverse publicity in recent years.

A process of education is now well under way, but the secondary market is looking warily ahead to next month when the interest payment legislation takes effect. Most of the issues will pay their first coupon shortly afterwards and there is some uncertainty about how investors will respond to the roll-over process when the new coupons take effect.

International demand fairly strong

French Franc Eurobonds

DAVID MARSH

THE FRENCH Government, it seems, has finally come to terms with the Eurofranc market, which has been the bane of successive administrations in previous years.

After the Eurofranc bond market closed down abruptly in the wake of President Francois Mitterrand's election victory in May 1981, the Treasury allowed reopening in April 1985 once it became clear that the Socialist government's policies had moved back in the direction of economic orthodoxy.

Bond issues since then have proceeded at the steady rate of two or three a month with no sign of any hiccups even during the run-up to the general election on March 16. A total of 21 issues amounting to FFr 9.6bn were made last year, with a further seven for a total of FFr 3.1bn launched up to the end of the first week in March.

A further issue of FFr 500m for Swedish Export Credit has also been slated for March, with dealers reporting good demand ahead of the elections.

The Eurofranc bond market was established in 1966 but has regularly been opened and closed to reflect squalls affecting the French currency. The Treasury was highly prudent about reopening the market last year because of the risk that Eurofranc borrowing would lead to a build-up of franc holdings abroad which could prove disruptive in times of currency unrest.

The total size of holdings on the Eurofranc market is still relatively small. But it has been fuelled in recent years by a perverse consequence of French exchange controls which prevent French importers from covering forward purchases of currencies needed to buy goods from abroad.

This has resulted in many importers switching to French franc invoicing— leading to a build-up in payments in francs to foreign exporters who then either deposit or sell the currency on international markets, outside the jurisdiction of the Bank of France.

In fact, because of the steady underlying performance of the franc, the Treasury's fears have proved to be unjustified. Helped by a sharp fall in French inflation, down to 4.7 per cent last year and heading perhaps to less than 3 per cent this year, as well as a return to current account surplus, the franc's parity against the Deutsche Mark has been unchanged for three years—even though a realignment in the European Monetary System is generally expected later this spring.

A total of 17 of the 28 issues made since last April have been issued for French borrowers. They include a number of well-established public sector names such as Electricite de France, Credit National and Credit Foncier as well as private groups such as Michelin, Peugeot and Remy Martin and nationalised industrial companies CGE, Pechiney, Saint Gobain and Renault.

International demand for Eurofranc issues has been fairly strong — with most interest coming from European institutions and private investors, but also some paper being placed in the US and Middle East. So these French operations have led on the whole to an import of capital into France.

Five supra-national borrowers and six other foreign entities— including IBM, Electrolux, Unilever, the Kingdom of Sweden —have also tapped the market.

Credit Commercial de France, which kept going a secondary market in Eurofranc issues even during the four-year dry period after the 1981 elections, has confirmed itself as leader in the issuing field with nine issues lead-managed so far, against seven for Banque National de Paris and six for Societe Generale. CCF prided itself on attracting the FF500m deal in February for Nersa, the French-based European nuclear agency — normally a client of BNP.

With interest rates on the French domestic bond market still tending downwards, the Euro franc barometer looks set fair even for the post-electoral period, barring unexpected political or economic shocks. Underlining the strength of the French capital market scene over the past 12 months, interest rates on Eurofranc bonds have dropped about 250 basis points since the market was opened in April last year.

So long as the franc holds steady, the Eurofranc market should continue to represent a flexible and relatively cheap source of financing for French and foreign borrowers—and the stop-go periods of the past may now represent nothing more than a footnote in the ledgers of the more historically-minded Euro-dealers.

Brighter prospects of interest in Europe

Canadian $ bonds

PETER MONTAGNON

CANADA'S CLOSE links with the US have cast something of a shadow over business in the Canadian dollar sector of the Eurobond market.

Though Canadian dollar bonds were among the few still offering double-digit coupons in the first weeks of 1986, the currency's close links with the US dollar made it less attractive to investors as the latter fell in exchange markets.

In addition, the Canadian unit itself came under pressure against the US dollar, forcing heavy intervention by the Bank of Canada and an upward squeeze on short-term interest rates so that bonds became harder to sell to European investors.

As a result, the Canadian unit seems to have lost some of its appeal to retail investors in Europe who have traditionally looked on it as a high yielding unit. Now, increasingly they are being offered alternatives in the form of Australian and New Zealand dollar bonds which carry much higher rates still and promise more of a chance of currency gain.

Perhaps because of this, the Canadian sector of the Eurobond market did not share fully in the overall growth of business last year. According to figures compiled by Orion Royal Bank, new issue volume in Canadian dollars rose last year to C$3.83bn from C$2.6bn in 1984, but this still left the currency with a share of just 2.2 per cent of the overall market compared with 2.6 per cent a year earlier.

Two factors characterise a market of this relatively small size:

First, it is one in which a new issue window opens only sporadically as pockets of investor demand can be identified.

The second is that, because of the demand for Canadian dollar bonds tends above all to be found among retail investors on the continent, the bonds themselves take longer to place than issues in other currencies.

As a result the market can quickly become overloaded when a new issue window opens. There is no official queueing system as in some currency sectors and this lends the market very much a "stop-go" character.

Partly because it is relatively rare to find deep discounts between the Canadian dollar Eurobond yields and those on domestic government securities swaps in Canadian dollars are relatively hard to arrange. Canadian borrowers themselves therefore tend to dominate the market. Wood Gundy, the Canadian broking house, reckons that of 51 issues launched last year no less than 37 were for Canadian borrowers.

This is changing, however. Last year Bank of Tokyo tapped the market twice, Long Term Credit Bank of Japan was also among the foreign borrowers, as were Denmark, Gaz de France and the European Investment Bank.

Pragmatic approach to liberalisation measures

Dutch guilder bonds

LAURA RAUN

DUTCH BANKERS, who pride themselves on a mixture of conservatism and tolerance, have greeted the sweeping liberalisation of the Netherlands' capital markets with more welcoming words than innovative issues.

The dramatic deregulatory measures that took effect on January 1 sparked an initial flurry of new financial instruments but have produced only a steady trickle since then. Dutch banks, borrowers and investors are taking a typically cautious attitude toward the new freedoms allowed by the Finance Ministry while foreigners are waiting to see how the markets develop.

It will probably be months before it is known whether the rather sudden liberalisation measures achieve their goal of enhancing Amsterdam's attractiveness as a leading financial centre in the face of mounting competition from London and West Germany. The sizable Dutch institutional investors will have to be weaned away from their heavy dependence on Dutch Government bonds and steered toward the new products to help fuel the secondary market necessary to draw foreigners.

Foreign investors, who already have shown more interest in the guilder as the dollar has plunged, must be convinced that the new instruments are attractive, as must corporate treasurers. Prominent foreign companies will need to make their names more familiar to the Dutch to stimulate demand and foreign banks will have to chip away at the stranglehold on new issues wielded by the "klaverblad."

The klaverblad, or four-leaf clover, is comprised of the two largest Dutch banks, Algemene Bank Nederland (ABN) and Amsterdam - Rotterdam Bank (Amro), and their respective merchant banks, Mees & Hope and Pierson, Heldring & Pierson.

Several reasons account for the slowness of new instruments such as bullet bonds, floating-rate notes (FRNs), commercial paper and certificates of deposit (CDs). While the Dutch capital markets already were by law among the most open in Europe, especially in terms of capital flows, in practice market participants have limited themselves to a few traditional products.

Amsterdam remains heavily dominated by Dutch Government borrowing, with about three-quarters of all new public bond issues coming from The Hague. Dutch bankers also argue with great self-satisfaction that "kasgeld," or short-term interest rates for the corporate sector, may blunt the need for commercial paper and that the liquid money market still offers an alternative to CDs.

Finally, the Dutch bond market itself has floundered in recent months, in contrast to those elsewhere, because of worries over a widening budget deficit due to plunging natural gas revenue and some uncertainty over the May 21 Dutch General Elections.

But the banks, the central bank and the Finance Ministry all finally agreed last year that they had to limber up or lose out in the face of mounting competition for international funds, borrowers and investors. The Nederlandsche Bank, the Dutch central bank, previously had forbidden bearer paper shorter than two years, allowed only serial maturity bonds, strictly controlled the timing of new issues, maintained borrowing limits and prevented foreign banks from lead managing issues.

These regulations were integral to the central bank's policies of clearly separating capital and money markets, guiding interest rates through tight reins on the money market and keeping inflation as low as possible. Bullet paper, where redemption is made in one lump-sum payment, was viewed as more inflationary than serial paper where a portion of the holders receive their principal each of the last few years of the lifetime.

As from the beginning of this year, the two-tier minimum on bearer paper was scrapped so that a variety of new facilities are possible except for zero-coupon and index-linked bonds which are still viewed as too inflationary. The central bank's issue calendar has been greatly relaxed to allow borrowers to tap the market with three days' notice and limits have been abolished on the size of offerings. Foreign banks with Dutch subsidiaries now can lead manage issues and can underwrite as much as one-third of offerings, up from 20 per cent.

The greater flexibility is expected to promote interest rate and foreign exchange swaps, which previously were possible but hampered by the serial redemptions and months-long issuing queue. Note issuance facilities and revolving underwriting facilities, however, appear less promising because of solvability requirements by the Dutch central bank, according to Mr Wilco Jiskoot, a senior vice president at Amro.

The deregulation is expected to blur the distinctions between the domestic guilder bond market and that for Euroguilder notes. Interest rates for the two kinds of paper already were closely aligned because of the virtual lack of capital controls but they could become nearly indistinguishable in the future.

Only a dozen or fewer of the new types of paper have appeared so far: several CDs, a couple of commercial paper programmes and a few bullet bonds while FRNs seem to have fallen out of favour with the trend toward lower interest rates. Mr Cees Bijloos, manager of ABN's syndication and sales department, explains: "We have a healthy environment because of our cautious approach. We don't get carried away and then burn our fingers. The Dutch are pragmatic."

None of this has cast a shadow over the future, though. In contrast, the medium-term outlook appears quite rosy. The recent Dutch discount rate cut prospects for even lower rates, an expected realignment of the European Monetary System (EMS), a planned solution to the budget problems and a rather healthy Dutch economy are reasons for optimism. Moreover, the public sector borrowing requirement should fall again this year and liquidity remains high among Dutch institutional investors and corporate treasurers.

Falling oil prices not only will help drive inflation as low as a half per cent or even zero per cent but also may fuel economic growth, perhaps by an extra 1 per cent to 3½ per cent, and that could generate more tax revenue to fill the hole left by plummeting gas revenue. Natural gas, whose price is linked to oil, accounts for about 13 per cent of all state income although no fiscal shortfall is forecast until next year.

Mr H. Onno Ruding, the hard-line Finance Minister, is also pushing for a fresh package of austerity measures to be introduced in the 1987 budget. Mr Bijloos concludes: "There is no real problem with gas. The politicians are just playing games."

International Capital Markets 15

Far Eastern centres are grappling with a severe downturn on the domestic front and preparing for the liberalisation of Japanese markets

The rising sun casts a shadow

Hong Kong

DAVID DODWELL

PETER SCHURING, regional head for Asia and the Pacific for Citibank's investment banking operations is this month moving his office from Hong Kong to Tokyo. Citibank's Asian administrative headquarters will follow in June.

The move is one of several occurring among international banks as they position themselves for the long-swaited liberalisation of Japan's financial markets.

Such moves have raised questions about Hong Kong's claim to be Asia's biggest banking centre, and the third largest in the world. They come in the wake of a string of local bank collapses that bave illustrated difficulties in Hong Kong's domestic banking sector and left some internallonal hanks bruised.

"The ascendency of Japan is inevitable," said an executiva in one leading American bank, "but tha ascent is likely to take a very long time, and it seems unlikely that Tokyo will ever be so liberal that it will eliminate a lot of the reasons for maintaining a significant presenca in Hong Kong."

Bankers say that the sheer size of Japan's securities business, the capital needs of its manufacturers, and the savings capabilities of its 110m people make it inevitable that international banks — once given the chance that liberalisation will in due course allow — will establish major businesses in Tokyo. Japan's commitment to an offshore banking market could also erode business done in Hong Kong.

But they point out at the same time that Jspan is not in the foreseeable future likely to offer a number of attractions offered by Hong Kong. It is geographically less well placed than Hong Kong, is less well served by air routes, and has a more complex tax regime.

Most critically, it lacks the body of legal, accounting and security printing expertise that has been built up over many years in Hong Kong. Not insignificant to the banks is the fact that Hong Kong is a cheaper place to maintain a large body of expensive expatriate staff, while for expatriate families themselves, the English language environment of Hong Kong, and the fact that expatriate wives can easily find employment if they want it, both serve as attractions.

With 150 licensed banks in Hong Kong, and 313 deposit-taking companies (DTCs), Hong Kong has attracted into its compact central business district a formidable range of banking expertise. In 1985 it accounted for a substantial proportion of the US$76.6bn capital market business in the Asia-Pacific region — a volume of business almost twice that of 1984. With the recent arrival of four Australian banks, its banking community is growing rather than diminishing.

"Japanese banks are the largest lending force in Asia, and it can only be a matter of time before they start arranging business from Tokyo," an American banker active in the capital markets said. He nevertheless argued that Japanese banks remained "followers" rather than "leaders" in arranging international loans.

A recent Euroyen Issue for Thailand, worth about US$300m, was arranged hy Citicorp in Hong Kong, even though the Bank of Tokyo brought together the lending group in Japan.

A similar Euroyen funding for Indonesia, with loans coming almost exclusively from Japanese banks, was arranged in Hong Kong: "It is absurd that Hong Kong should be used as the venue for conducting such business," the banker said, "but until Japanese bankers acquire more marketing sense, the situation is unlikely to change."

Another factor acting in Hong Kong's favour is its proximity to China, where bankers hope to win major project financing as the country opens up to the outside world. China emerged last year to absorb about 10 per cent of the loans, notes and commercial paper syndicated in Asia — a total US$2.1bn.

This is a tiny fraction of what China might need if development accelerates. At the moment, bowever, China has provided more hope than action. One banker, reflecting the conviction of many, commented: "Sadly, it seems that China's financing needs are likely to be satisfied by a small group of people." If he is right, then Hong Kong's proximity may prove more of a handicap than an advantage.

Hong Kong's domestic manufacturers have become more important users of the capital markets recently. In 1985, borrowers like the Mass Transit Railway Corporation, Hong Kong Land, and the Kowloon Canton Railway Corporation, accounted for loans and paper amounting to US$1.9bn—compared with the 1984 total of US$1.1bn.

This is tiny by comparison with Australia's US$9bn borrowings, and the infinitely larger funding needs of Japanese industry, but it is no longer scoffed at by international bankers.

In fact, the borrowing needs of Hong Kong manufacturers could be much greater than they are. However, stagnation in export demand, and uncertainty over the fate of the Territory after 1997, has prompted many big local companies to put investment programmes on hold.

This in part explains why Hong Kong's domestic banks have failed to recover as expected from the property and stock market collapse of 1982. Competition is fierce for a trickle of borrowing interest, and there are no clear signals that interest is soon to revive.

The collapses last year of the Overseas Trust Bank and its subsidiary the Hongkong Industrial and Commercial Bank, while due to peculiar and perhaps criminal factors, were also influenced by the difficulties being experienced throughout the domestic banking sector.

The more dignified rescues of the Wing On Bank, and Ka Wah Bank over the Christmas period simply reinforced a conviction that Hong Kong is "overbanked."

Most foreign banks have been comparatively unscathed by these problems.

A banking reform package being unveiled this month is expected to preempt the more serious of the local banks' problems, mainly by improving supervision, pressing for improved bank management and establishing a set of effective early warning signals when problems emerge.

For foreign banks, the most important change is the introduction of capital adequacy ratios that will force many — particularly Japanese banks — to raise their local capital base. Another contentious issue has been the Hong Kong Government's efforts to tax interest earned on offshore funds.

This has been among changes attacked by the international financial community for making local tax affairs more complex, and for reducing the incentive to transact business through the Territory.

Financial Secretary Sir John Bremridge signalled in his most recent budget that the Government is willing to drop the matter, but government concern over tax avoidance by international financial institutions continues to simmer, and could yet re-emerge in another guise.

Sir John's February budget also eliminated stamp duty on certain lending instruments as a move to encourage more local capital market activity and has been welcomed by foreign and local banks, but is unlikely to be a critical issue as banks judge the size of their presence in Hong Kong.

Ultimately, the single most critical issue is 1997, when China regains sovereignty over Hong Kong. Depending on the form of administration adopted by Peking, and its sensitivity to the unique personality of Hong Kong, the Territory could thrive or wither. At present, the banking community is reserving judgment.

Vital role for the MAS

Singapore

STEVEN BUTLER

THE FUTURE of Singapore as a financial centre is at a crossroads. While local and regional financial markets are in a deep economic slump, and Singapore has been rocked by a big business collapse, moves are afoot to broaden substantially Singapore's appeal as a place for all kinds of financial transactions.

Singapore's reputation as a good place to do business has been badly smudged by the collapse of Pan Electric Industries, one of the island state's largest companies. Pan Electric's collapse in late November led to a three-day closing of the stock market to prevent a default on forward share contracts from starting a chain reaction of collapses in the securities industry.

The crisis was evidently touched off by fraud and regulatory laxness, and the Monetary Authority of Singapore (MAS), known for its toughness, has now assumed regulation of the stock market in an effort to prevent any recurrence.

On top of this, the near-term outlook for growth in Singapore and the region is extremely bleak, leading to dim prospects for profitable business. Further declines in the property market could cause serious bank difficulties.

Singapore's economy contracted by 1.7 per cent last year, and no one expects growth to resume for at least another 18 months. In resource-rich Malaysia and Indonesia, depressed raw material prices have derailed the erstwhile economic miracle and made prospects of profitable regional banking business very dim.

If the near term is bleak, many bankers have focused on a much brighter long run. "The groundwork is being put in place will make Singapore as attractive a place to do business as any in Asia," says the local head of a large British bank.

The idea is to expand on Singapore's already well-developed base as a centre for traditional loan business, which is no longer the growth area it once was, and to revise regulations that inhibit expansion into more free-wheeling fee-based business areas.

The Government has accepted in principle a series of recommendations from a high-powered economic committee that are designed to make Singapore the "Switzerland of Asia."

The committee has identified a number of key areas for growth:

● Fund management. Currently local and foreign investors are penalised for using Singapore-based fund managers by tax assessments against trading gains. It is now simple enough to avoid the tax by placing funds through an offshore manager and routing the funds into Singapore. Britannia, the London-based finance group, recently shut up shop in Singapore, partly because of these regulations. The committee has recommended doing away with these tax incongruities.

In addition, the virtual monopoly over local savings by the government-run Central Provident Fund, a compulsory pension system, has left little for private fund managers. The committee has recommended allowing Singaporeans to place a portion of their pensions with approved private fund managers. The CPF has more than S$21bn under its control.

● Debt securitisation markets. The panel is recommending that ministries and statutory boards begin to raise funds by issuing tradable debt instruments rather than by borrowing money from the Government.

● Financial and commodities futures. The trading of financial futures at the Singapore International Monetary Exchange (SIMEX) has been growing at a healthy pace.

● The exchange is now starting up trading of a stock index future based on the Nikkei average of the Tokyo Stock Market. The panel has recommended adding futures contracts for commodities traded in the region.

● Trade financing. The panel has recommended that profits on third country trade be exempted from tax, which would create potentially far more opportunities for trade financing based in Singapore.

● Insurance. The panel recommends changes to broaden opportunities for reinsurance business in Singapore.

● Unlisted securities. Plans are now in the works to set up an unlisted securities market for small companies in Singapore, which may eventually graduate to the stock exchange of Singapore.

● Risk management. The panel hopes to encourage holding companies to set up base in Singapore and to attract multinational companies to establish regional treasury operations.

All these changes hinge, however, on something that cannot be readily foreseen—a basic change in attitude of regulatory authorities in Singapore, particularly the Monetary Authority of Singapore.

The economic committee, while cautiously praising the MAS, has recommended that it adopts a "developmental" approach to the regulation financial markets. This may be the hardest recommendation of all to bring to fruition.

Expansion in currency swaps

Australian and New Zealand $ Bonds

ALEXANDER NICOLL

THE EXPLOSION in Eurobond issues denominated in Australian and New Zealand dollars over the past year is a classic example of the use of swaps to exploit arbitrage opportunities between different credit markets.

The two currencies accounted for over US$4bn-worth of Eurobonds issued last year, up from virtually nothing in 1984. Figures compiled by Salomon Brothers show that almost 60 per cent of Australian issues, or $1.85bn, were motivated hy currency swaps, and an astonishing 84 per cent of the New Zealand issues, or $888m-worth.

To explain the attractions of the sectors, It is necessary to examine them from three points of view: those of the wealthy private individual in Europe who likes Eurobonds because they are normally not subject to any withholding tax and are in bearer form; the top-rated borrower from the US or Europe seeking credit markets to tap on tight terms with a view to swapping into very cheap, probably US dollar-denominated, funds; and the Australian or New Zealand company or state entity seeking to reduce borrowing rosts in view of very high domestic interest rate.

Mr Dsvid Burnett, an executive director of Orlon Royal Bank, which has the largest market share in the arranging of issues in Euro-Australian dollars, traces the market back to an Australian dollar devaluation three years ago, which was seen in the markets as being too great.

European inveators, particularly in the Benelux countries, therefore thought the currency a good bet for short maturities and were eager to earn the high interest rates prevailing In Australis. They were prepared, bowever, to earn lower yields on Euro-Australian dollars than those prevailing on domestic securities in return for escaping domestic registration and withholding tax.

This opened up the potential for considerable spreads between the Euro and domestic yields—and an arbitrage opportunity that many swap-minded borrowers could not resist. Australian and West German banks and US corporates have all been prominent Issuers.

Typically, they would swap the proceeds of such issues with Australian corporates which can thus obtain fixed-rate funding below prevailing domestic yields. The bond issuer can probably obtain funds, probably in dollars, at below London interbank offered rates as a result.

The market is psrticulsrly attractive for Australian entities because, although Australia does hsve well-developed money markets, the medium- and long-term domestic corporate bond market is small.

Australian borrowers with well-known names Internstionally bave also tapped tha offshore market directly to take advantage of the European interest In their bonds, which spread from the Benelux countries to West Germany and Switzerland. They could thus obtain funds at below domestic rates without swapping.

Growth of the primary Australian dollar Eurobond market has been stifled recently by several considerations. European investors found that the Australian dollar depreciated substantially against their own currencies as the latter strengthened.

At tha same time, a significant rally in the Australian domestic market has in some cases put the yields on Euro-issues above those on domestic Issues, thus eliminating swap opportunities.

There has, however, been substantial trading in the secondary market, with European selling offset to some extent by US buying. Since US residents can buy only "seasoned" Eurobond issues—those which bave been issued for more than 90 days—US Interest tends to boost only the secondary market.

The amount of trading, with market-makers reporting quite heavy though small-ticket business, is surprising given that investors bave been retail rather than lostitutional and might be expected to salt away the bonds, which are all fairly short-dated, until maturity.

The yield spreads wbich opened up the New Zealand dollar market were enormous, with European investors prepared to take paper at substantially below domestic New Zealand yields in order to earn coupons wbicb were still far higher than they could earn in other currencies.

Though the currency outcome for New Zealand dollar investors has not been bad, issue volume has slowed recently partly becsuse investors bave simply got enough in their portfolios for a currency in which the interest and exchange rate outlook is uncertain. In addition, narrower spreads between offshore and domestic yields bsve reduced the attractions of swaps.

Although these sectors bave attracted most leading issuing houses, they have also provided opportunities for a few banks to develop specialist niches. In Australian dollar issues, leading market-makers include Orion, Hambros Bank, Kredietbank

In the New Zealand market, Hambros and Kredietbank also make markets with some New Zealand hanks and hrokers. Market-making is difficult, particularly in the New Zealand market, because it is bard to fund positions.

Local bank lead favoured

Danish Crown Bonds

HILARY BARNES

THE DEVELOPMENT last year of a market in Eurokrone bonds was a natural extension of the almost complete liberalisation of capital movements between Denmark and abroad. Since 1983 non-residents have been able to huy Danish state bonds without restriction and Danish residents are permitted to invest in foreign bonds and shares.

"For us the market is no problem. It is only a small influence in the wider whole," says Mr Niels Erik Soerensen, of the finsnce ministry's national debt office.

The National (central) Bank operates some informal guidelines, although it has no formal jurisdiction. But as issues will invariably involve a Danisb bank, the central bank bas some leverage. It operates a gentleman's agreement with the Danish banks, of whicb only five have so far acted as lead managers.

"We want to see a Danisb bank in the lead management group, though not necessarily as book runner," says Mr Erik Niepoort, of the National Bank. "The Danish Bank should ba an active lead manager, with which we can communicate in nrder to obtain information. We also like to be briefed before an issue is launched, so that we can nod approval.

"We also have guidelines as to the size of issues, which should not be larger than the market can swsllow."

The bank also wants maturities of five to 10 years. "There has been no question yet of issuing short paper, but we would not be bappy if it arose," Mr Niepoort says.

The first issue was made in April 1985, wben the European Investment Bank raised Kr 250m. This was quickly followed by several other issues.

The attraction of these first issues was that the yield was about a half per cent lower than they yield on Dsnish Government bonds, and there was therefore an opportunity for profitable arbitrage. "We dldn't like this, and considered at tbe time whether the State sbould enter the market," said Mr Soerensen; but the margin was quickly narrowed in subsequent issues.

All the 21 Issues made so far, totalling Kr 5.5bn, bave been in the Kr 200m-300m range with the exception of an issue by S.E.K. In February this year whicb issued Kr 500m, with another Kr 500m on tap.

The five Danish banks which have been sctive in the market are SDS, the Savings Bank, Copenhagen Handelshank, Danske Bank, Privstbanken and Andelshanken.

Fourteen issues to date have been made by Nordic borrowers, including the Nordic Investment Bank, Norsk Hydro and L. M. Ericsson.

There Is a certain attraction ln Dsnisb Krone bonds for Swedish Corporate borrowers, who may bave a use for the money to finance the investments of Danish subsidiaries, while tbe rates bave been favourable as compared with rates in the Swedish market.

The creditors appear to be "the Belgian dentist," who prefers the Eurokrone bonds to Danish state paper because they are quoted in Luxembourg and because there is a pbysical certificate attacbed.

This announcement appears as a matter of record only.

Moët·Hennessy

ECU 50,000,000
9 Per Cent. Notes Due 1991

Chase Investment Bank

Banque Bruxelles Lambert S.A. — Banque Indosuez
Crédit Lyonnais

Algemene Bank Nederland N.V. — Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris — Banque Paribas Capital Markets Limited
Credit Suisse First Boston Limited — Deutsche Bank Capital Markets Limited
Dillon, Read Limited — Generale Bank
Kredietbank International Group — Lazard Frères et Cie
Merrill Lynch Capital Markets — Morgan Grenfell & Co. Limited
Morgan Stanley International — Nomura International Limited

December, 1985

Chase Investment Bank

This announcement appears as a matter of record only.

SOUTHERN CALIFORNIA gas COMPANY

Swiss Francs 100,000,000
5⅛% Bonds Due 1998

Chase Manhattan Bank (Switzerland)

Bank Heusser & Cie AG
Banque Gutzwiller, Kurz, Bungener S.A.
Banque Paribas (Suisse) S.A.
Chemical Bank (Suisse)
Merrill Lynch Bank (Suisse) S.A.
Morgan Guaranty (Switzerland) Ltd.
Sogenal, Société Générale Alsacienne de Banque
Soditic S.A.

Kredietbank (Suisse) S.A.
Nordfinanz-Bank Zurich

Banque Bruxelles Lambert (Suisse) S.A.
Banque Kleinwort Benson SA
Commerzbank (Schweiz) AG
Compagnie de Banque et d'Investissements, CBI
Hottinger & Cie
Samuel Montagu (Suisse) S.A.
Nomura (Switzerland) Ltd.
Sanwa Finanz (Schweiz) AG
J. Henry Schroder Bank AG
Verwaltungs- und Privat-Bank AG

Clariden Bank
Lloyds Bank Plc.
Amro Bank und Finanz
Armand von Ernst & Cie AG
Banco di Roma per la Svizzera
Banque Cial (Suisse)
Banque Générale du Luxembourg (Suisse) S.A.
Banque Indosuez
Banque Morgan Grenfell en Suisse S.A.
Caisse d'Epargne du Valais
Fuji Bank (Schweiz) AG
Gewerbebank Baden
Handelsfinanz Midland Bank
Hypotheken- und Handelsbank Winterthur
Maerki, Baumann & Co. AG
Sparkasse Schwyz

February 1986

Chase Investment Bank

This announcement appears as a matter of record only.

Firestone
The Firestone Tire & Rubber Company

Swiss Francs 210,000,000
5⅝% Bonds Due 1996

Chase Manhattan Bank (Switzerland)

Banque Gutzwiller, Kurz, Bungener S.A.
Crédit Commercial de France (Suisse) S.A.
Samuel Montagu (Suisse) S.A.

Banque Nationale de Paris (Suisse) S.A.
Internationale Genossenschaftsbank AG
J. Henry Schroder Bank AG

Banca di Credito Commerciale e Mobiliare S.A.
Banca del Sempione
Banca Solari & Blum S.A.
Bank in Huttwil
Bank in Ins
Bank Langenthal
Bank in Langnau
Bank Neumünster
Bank Rohner AG
Banque de Dépôts et de Gestion
Banque Louis-Dreyfus en Suisse S.A.
Crédit Lyonnais Finanz AG Zürich
Great Pacific Capital
Grindlays Bank p.l.c.
E. Gutzwiller & Cie
Overland Trust Banca
Rüegg Bank AG
St. Gallische Creditanstalt
Società Bancaria Ticinese
Solothurner Handelsbank
Spar- und Leihkasse Schaffhausen
Volksbank Willisau AG

HandelsBank N.W.
Bank von Ernst & Cie. AG
Banca del Gottardo
Banque Privée S.A.
La Roche & Co., Banquiers
Schweizerische Hypotheken- und Handelsbank
Banca della Svizzera Italiana
Wirtschafts- und Privatbank
Aargauische Hypotheken- und Handelsbank
Banque Vaudoise de Crédit
Bank in Gossau
Bank in Menziken
Bank vom Linthgebiet
Basellandschaftliche Hypothekenbank
EKO Hypotheken- und Handelsbank
Luzerner Landbank AG
Banque Romande
B.E.G. Bank Europäischer Genossenschaftsbanken
Banque de l'Union Européenne en Suisse, S.A.
Bank in Liechtenstein Aktiengesellschaft

Banco di Roma per la Svizzera
Banque Kleinwort Benson SA
Chemical Bank (Suisse)
Kredietbank (Suisse) S.A.
Merrill Lynch Bank (Suisse) S.A.
Soditic S.A.
Sumitomo International Finance AG

Bank Heusser & Cie AG
Banque Paribas (Suisse) S.A.
Commerzbank (Schweiz) AG
Manufacturers Hanover (Suisse) S.A.
The Nikko (Switzerland) Finance Co., Ltd.
Sogenal, Société Générale Alsacienne de Banque

March 1986

Chase Investment Bank

This announcement appears as a matter of record only.

SOUTHERN CALIFORNIA gas COMPANY

SFr 100,000,000/$47,250,000
Currency Exchange Agreement
Due 1998

Arranged by
Chase Manhattan Capital Markets Corporation
February 1986

Chase Investment Bank

This announcement appears as a matter of record only.

Firestone
The Firestone Tire & Rubber Company

SFr 210,000,000/$100,000,000
Currency Exchange Agreement
Due 1996

Arranged by
Chase Manhattan Capital Markets Corporation
March 1986

Chase Investment Bank

This announcement appears as a matter of record only.

Woodside Financial Services Ltd.
(Incorporated in the State of Victoria)

U.S. $300,000,000
Guaranteed Floating Rate Notes
Due July 1997

Unconditionally Guaranteed as to Payment of Principal and Interest by

Australian Industry Development Corporation
(A statutory corporation, wholly-owned and guaranteed by the Commonwealth of Australia)

Chase Investment Bank
Bank of Tokyo International Limited — Banque Nationale de Paris
County Bank Limited — Merrill Lynch Capital Markets

ANZ Merchant Bank Limited — Bank of Montreal
Bankers Trust International Limited — Banque Indosuez
Banque Paribas Capital Markets Limited — Barclays Merchant Bank Limited
Credit Suisse First Boston Limited — Dai-Ichi Kangyo International Limited
Deutsche Bank Capital Markets Limited — HongkongBank Limited
IBJ International Limited — Lloyds Merchant Bank Limited
LTCB International Limited — Mitsubishi Trust & Banking Corporation (Europe) S.A.
Mitsui Trust Bank (Europe) S.A. — Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited — Morgan Stanley International
National Australia Bank — Orion Royal Bank Limited
Salomon Brothers International Limited — Shearson Lehman Brothers International
Sumitomo Finance International — Westpac Banking Corporation

January, 1986

Chase Investment Bank

This announcement appears as a matter of record only.

ECC GROUP

English China Clays P.L.C.
U.S. $75,000,000
Euro-Commercial Paper Program

Issuer:
English China Clays Finance N.V.

Unconditionally and irrevocably Guaranteed by:
English China Clays P.L.C.

Arranged by:
Chase Investment Bank

Dealers:
Chase Manhattan Limited
J. Henry Schroder Wagg & Co. Limited
Swiss Bank Corporation International Limited

Issuing and Paying Agent:
The Chase Manhattan Bank, N.A.

January, 1986

Chase Investment Bank

This announcement appears as a matter of record only.

Republic of Indonesia

U.S.$300,000,000
Floating Rate Notes Due February 2001

Chase Investment Bank — IBJ Asia Limited — Lloyds Merchant Bank Limited

Arab Banking Corporation (ABC) — Banque Bruxelles Lambert SA
Banque Paribas Capital Markets Limited — BOT International (H.K.) Limited
BT Asia Limited — Chemical Bank International Limited
Credit Suisse First Boston Limited — Dai-Ichi Kangyo International Limited
Daiwa Overseas Finance Limited — Fuji International Finance (HK) Limited
Indosuez Asia (Singapore) Limited — Kyowa Finance (Hong Kong) Limited
LTCB International Limited — Manufacturers Hanover Limited
Merrill Lynch Capital Markets — Mitsubishi Finance (Hong Kong) Limited
Mitsubishi Trust Finance (Asia) Limited — Mitsui Finance Asia Limited
Mitsui Trust Finance (Hong Kong) Ltd. — Morgan Guaranty Ltd
Nomura International Limited — Orion Royal Pacific Limited
Saitama International (Hong Kong) Limited — Sanwa International Finance Limited
Saudi International Bank — Sumitomo Trust International Limited
Taiyo Kobe International Limited — Takugin International (Asia) Limited
Tokai Asia Limited — Yasuda Trust and Finance (Hong Kong) Limited

Financial advisers to the borrower:

Kuhn Loeb Lehman Brothers International, Inc. — Lazard Frères et Cie. — S.G. Warburg & Co. Ltd.

JANUARY 1986

THE CHOICE IS CHASE.

More and more the choice is Chase for global leadership in creative finance. Chase offers a unique combination of creative investment banking, and depth of resources. 1986 has started well for Chase; and those who chose us.

Chase Investment Bank

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday March 17 1986

INTERNATIONAL BONDS

Dollar worries turn investors to other currencies

ISSUE MANAGERS in the international bond market took full advantage of the latest round of discount rate cuts to launch a flood of paper last week. The lowest coupons this decade were seen in several sectors as prices initially soared in most major markets, writes Clare Pearson in London.

Yet with worries about e further fall in the dollar on their minds, investors switched their attention heavily towards other currencies such as the Ecu, yen, D-Mark and French franc. Some of the new dollar issues were left high and dry et the end of the week as the New York market turned softer.

Many of these were originally priced as if the market were still set to roar ahead. A case in point was the 12-year issue for BPCA Finance, bearing an 8¾ per cent coupon. Traders said that it was very tightly priced, and it was left to languish as the week progressed. The issue for ICI, on the other hand, also tight with a coupon of 8 per cent over 10 years, survived to be quoted in the market on Friday afternoon inside the fees.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,313.7	18.0	274.0	215.0
Prev	3,644.7	820.3	297.1	375.0
Other	1,112.8	–	–	89.5
Prev	1,614.3	2.9	3.1	147.8
Secondary Market				
US$	30,581.5	1,316.3	15,050.8	4,383.6
Prev	32,349.5	1,734.0	13,828.9	3,316.1
Other	11,035.7	178.6	1,674.2	3,306.1
Prev	11,812.9	208.6	1,775.6	3,114.4

	Cedel	Euroclear	Total
US$	16,814.7	37,338.2	54,153.0
Prev	16,674.7	38,690.9	55,365.6
Other	9,329.0	8,067.7	17,396.7
Prev	9,403.8	9,275.6	18,679.4

Week to March 13 1986 Source: AIBD

Volvo achieved a certain glamour by launching the first fixed-rate dollar bond of the decade with a coupon below 8 per cent. It was a 7⅞ per cent deal with a life of only three years and met e positive response from the market.

Deal of the week in the dollar sector may have been BASF's 15-year equity warrants issue. As with similar issues, investors snapped up the chance of buying into German shares – BASF is in any case a favourite name on the West German stock market.

One major beneficiary of the new focus on non-dollar issues was the Ecu market. In secondary trading, prices leapt ahead, some up by three points on the week, as traders tried to correct long-held short positinns. The risk nf a realignment in the European Monetary System seemed to be receding and everyone spotted the disproportionate cheapness of bonds in the Ecu sector.

In the primary market, Banco di Roma was first to take advantage of Ecu enthusiasm and its seven-year 8¼ per cent bond was trading at issue price within hours of its appearance. That created room for an increase to Ecu 100m from Ecu 75m.

Friday saw new issues for Colgete Palmolive, a well-liked name among European investors, and for the European Coal and Steel Community, a deal which was targeted at Nordic investors.

Bankers expect strong growth in this market in the medium term, although it is currently limited by the difficulty of arranging swaps. With the Ecu fairly stable against the dollar, issues in the currency represent an attractive alternative.

D-Mark issues were also firm. The European Investment Bank was able to launch a deal with a 5¾ per cent coupon, the lowest on e straight fixed-rate issue since the late 1970s. Another record low coupon – 1⅞ per cent – was achieved on Kao Corporation's equity warrants bond.

Yen-denominated issues were also in heavy demand last week. A move away from the dual-currency deals nf recent weeks was evident, and six straight fixed-rate issues were launched. Four of these came on Fridey which crowded the market, especially as the terms nn the issue for American Express were felt to be aggressive and the bonds for US oil company Atlantic Richfield also moved rather slowly. Nevertheless, the offerings fnr IBM and the Republic of Finland went well.

Traders are bullish nn the Euroyen market, and expect a further discount rate cut in Jepan. Following this week's rush of corporate issues hankers say there is now, if anything, a shortage of sovereign paper in this market.

The UK building societies kept the issues coming in the Eurosterling market. Nationwide and Alliance & Leicester added further deals to the market for fixed-rate bonds. The coupon on Nationwide's deal was only 10⅛ per cent, and on the issue for Alliance only 10 per cent to accommodate the swaps for which the proceeds of the issues were destined. Bankers were wondering about how many appropriate counterparties could be left.

Bradfurd and Bingley launched a floating rate note at the now standard building society margin of ⅛ per cent over London interbank offered rate. Leeds Permanent, however, brought a novel structure in the expectation that huilding societies will eventually be able to use futures markets. The interest rate was fixed at 12$\frac{11}{16}$ per cent until June and thereafter rollover dates coincide with futures contract dates.

Prices in the Swiss franc market moved higher by up to ½ per cent in good volume.

Nippon Telegraph and Telephone launched a two-tranche SFr 300m issue and a cut in coupons took that on the 10-year tranche to 4⅛ per cent, the lowest on a straight public bond since 1979.

A SFr 250m perpetual floating rate note issue for the Council of Europe is expected to surface next week, as is an issue for Olivetti, the Italian office automation group.

INTERNATIONAL CREDITS

South Africa wins battle to keep debt repayments to 5%

SOUTH AFRICA has won its battle to keep debt repayments to commercial banks down to 5 per cent of the amount maturing during the period of the interim debt restructuring proposed by Dr Fritz Leutwiler, the Swiss mediator between Pretoria and its creditors, writes Peter Montagnon, Euromarkets Correspondent, in London.

The technical committee of leading creditors, formed after the proposals were launched last month, completed its work last week and detailed proposals were due to go out to a wider spectrum of some 230 smaller creditors over the weekend.

The committee has made only what are described as technical modifications to the Leutwiler proposals but one of these is clearly designed as a compromise for those banks, above all in the US, which had been seeking a higher level of repayments.

Under the revised scheme the downpayment on debt that has already fallen due will be brought forward to the start of the scheme instead of being paid in regular quarterly instalments. That means banks will receive a much bigger upfront payment for agreeing the deal than had previously been scheduled. The total could well account for a sizable portion of the $500m which is due to be repaid in all.

Another change is that the scheme will now extend until June next year the maturities of the commercial bank debt frozen since last August. Originally it was to run only until March 1987, but a slightly longer period has been chosen both to give South Africa time to sort out next year's budget and for creditor banks to complete reporting their 1986 results before the debt question looms again.

The review of South Africa's economy previously scheduled for next February will now probably take place in May 1987. At that stage the next steps in sorting out the country's $24bn foreign debt problems will be decided.

Meanwhile there will be an interim review of the situation in about six months at which South Africa has undertaken to reopen the repayment question if its balance of payments situation has improved.

Several of the 30 creditor banks involved in the negotiations with Dr Leutwiler believed initially that South Africa's balance of payments, boosted by e higher gold price and lower oil price, would permit a higher level of repayments than the 5 per cent originally proposed. After a closer look at the figures, they have now accepted the original estimate, defended very strongly by Dr Leutwiler, that 5 per cent was the maximum reasonable for the time being.

That has helped put the Leutwiler proposals back on track, although bankers say there remains the uphill task of persuading smaller creditors to agree to the details. Dr Leutwiler said last month he wanted the whole arrangement to be wrapped up when the present debt standstill expires at the end of March so it does not have to be renewed.

Elsewhere conditions in the Eurocredit and Euronote market remain very quiet, although on Friday Citicorp and Lloyds Merchant Bank announced a new £100m facility for Jaguar, the UK car manufacturer. Under the five-year deal Jaguar can raise funds through multi-currency short-term advances, sterling and US dollar bank acceptances and sterling medium-term notes.

The facility is backed by a £50m revolving credit with an annual fee of 6¼ basis points. Drawings will bear interest at 10 basis points over the London interbank offered rate for Eurocurrency deposits, and there will be an additional utilisation fee of 2½ points if more than half is drawn.

Korean Airlines is raising $76m through a 10-year credit to purchase two Airbus cargo planes. The deal, led by Chase (Asia), Midland, National Westminster and Mitsubishi Finance (Asia), will carry e large tax-spared element providing tax credits for lenders in the UK, Belgium and Japan. This portion will bear interest at a margin of $\frac{5}{16}$ per cent over Libor, the rest at ⅜ per cent.

Citicorp has been appointed sole dealer on a $250m certificate of deposit facility for Banco di Roma. The bank also said on Friday that its $300m credit for IRI, Italy's state holding company, had raised nearly $850m in the market.

Telefonica, Spain's telecommmunications company, is seeking $250m. Bankers say they are concerned that it might try and syndicate the loan itself with relationship banks. The worry is that this would set a precedent other Spanish banks might follow and prevent banks from earning syndication fees.

Swiss banks probe Japanese reciprocity

BY JOHN WICKS IN BERNE

A TEMPORARY halt has been called to the licensing of new Japanese bank operations in Switzerland. According to Dr Hermann Bodenmann, chairman of the Swiss Banking Commission, the authorities are reviewing the question of Japanese reciprocity.

A foreign hank can be licensed in Switzerland only if its home country permits Swiss banks to operate "comprehensively and profitably." As long as Swiss banks are not allowed full entry into the Japanese securities sector, Dr Bodenmann said, Japan could not be seen as granting full reciprocity.

"What is made possible for American and German banks cannot be denied to Swiss banks," he added.

He said studies are being carried out as to whether bank-type finance companies should be subject to reciprocity requirements. Large numbers of these have been set up in Switzerland recently by Japanese interests.

His remarks were made during a news conference in Berne. On reciprocity with other countries, he said, in Australia it was now possible for Swiss banks to establish merchant bank units. Those who wanted to take advantage of this opportunity had urged the banking commission to adopt a "tolerant attitude" with regard to licensing the Australian-controlled Grindlays Bank in Switzerland.

The commission had now informed the Australian authorities that it was prepared "under certain conditions" to reconsider its earlier decision to withdraw Grindlays' licence. However, nn new Australian banks would be allowed to set up activities due to the lack of adequate reciprocity.

In its annual report, the commission says it is considering an increase in the minimum coverage of banks' risks in problem countries. Since 1983 banks have had to set aside at least 20 per cent against the value of these assets.

The report sees sovereign risks as remaining a problem in the coming years. In view of the banks' good 1985 results, they are in a position to keep up the necessary "cautious provisions policy."

The banking commission is also investigating whether new financial instruments such as note issuance facilities (Nifs) and revolving underwriting facilities (Rufs) should be subjected to e coverage ratio. Financial futures and other futures transactions are already subject to an 0.3 per cent capital-backing rate.

In connection with recommendations of the Bank for International Settlements' Cooke committee, the commission has called on Swiss banks to keep a close watch nn their operations in new areas of off-balance-sheet husiness.

US insurer loses $7.3m

BY WILLIAM HALL IN NEW YORK

ALEXANDER & Alexander (A&A), the world's second largest insurance hroker, lost $7.3m in the year to end-December 1985 after taking a $52m after-tax provision to cover the estimated loss on the disposal of its discontinued underwriting operations.

The company's income from continuing operations rose by 58 per cent in 1985 to $44.7m or $1.17 per share which compares with $28.3m or $0.78 per share, restated to reflect the group's July 1985 merger with Reed Stenhouse. Operating revenues rose by 16 per cent to $913.6m in 1985.

The group's income from continuing operations in the final quarter of 1985 fell by 74 per cent to $2.9 or 7 cents a share despite a 17 per cent rise in revenues to $239.7m.

Mr John Bogardus, A&A's chief executive, said the costs of integrating A&A and Reed Stenhouse had "been higher than originally anticipated."

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Testing time for Wall Street's junk bonds

INVESTORS in the high-yield US corporate bond market, popularly known as the junk bond market, have missed out on much of the recent dramatic rally in the US credit markets, which has pushed yields on long-term government paper down to levels not seen since 1977.

While US government bond yields have tumbled by close to 400 basis points over the last 12 months—with the result that US Treasury 9¼ per cent, due 2016, is now yielding less than 8 per cent—the rates being offered on new issues of junk bonds remain stubbornly high. Despite the fantastic profits being made in the US bond markets, some observers are questioning whether investors are beginning to lose their appetite for junk bonds.

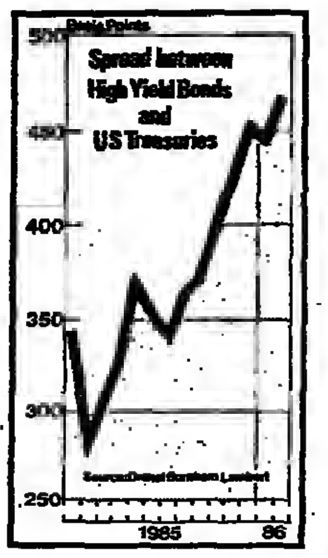
Take R. H. Macy, the department store. It will probably have to pay more than 15 per cent on the 15-year debentures it is issuing to finance its $3.5bn management buy-out, and Mr Ted Turner, the flamboyant media entrepreneur, will probably have to pay as much, if not more, on the $1.4bn of bonds he plans to issue to pay for his takeover of MGM/UA Entertainment, the Hollywood film producer.

The $1.15bn of increasing rate exchangeable guaranteed preferred stock issued earlier this month by Mr Rupert Murdoch, the Australian-born media magnate, carries a 13 per cent coupon in year one which rises to 15 per cent in the third year. This is nearly twice as much as the rate at which prime companies can borrow in the US commercial paper market.

Companies are paying a high price to tap the junk bond market, but some observers are asking whether, given the risks, the price is high enough.

Last year close to $1bn of junk bonds went into default, according to Morgan Stanley. This was roughly three times the average for the previous two years. The recent collapse in world oil prices will cause further problems for holders of energy related bonds.

Most investment bankers accept that the quality of new issues has been declining. However, the official word from Drexel Burnham Lambert, the New York investment bank, which has done more than most to foster the growth of new issues in this market, is that the market is thriving. "We can sell everything we can get our hands on, it is just a matter of rate," says Mr Christian Andersen, a managing director of Drexel, which is responsible for selling three of the four biggest issues now in the market.



The gap between US government paper and comparably dated junk bonds has widened recently. The spread between the yield on Drexel's composite high-yield bond index and comparable US government paper has risen from 282 basis points a year ago to 469 basis points in February.

Morgan Stanley's Mr Martin Fridson notes that in some sectors, most notably the energy industry, the spread between high-yield bonds and comparable US Treasury issues is at a record level. He calculates that high yield issues in the energy sector are yielding 635 basis points on average, over comparable treasury issues, and the gap has widened by 100 basis points in the last month alone.

Mr Fridson is one of several experts in the US junk bond market who argue that the widening of spreads does not indicate a lessening of investor enthusiasm for new junk bond issues. He notes that three issuers—Beatrice, Macy and Turner—are in the process of bringing over $5bn of junk bonds to market and the widening of spreads partly reflects the temporary bulge in supply.

While he cautions investors to be selective in what they buy, he believes the market at present levels is attractive and he expects spreads to narrow.

Many of the recent issues of high-yield bonds are trading above par and because there is a risk that the bonds might be called, prices are not performing as strongly as comparable Treasury issues.

Many of the analysts who follow the high-yield bond market in the US remain enthusiastic about its potential. However, some of them are uncomfortably aware that for the last two years the junk bond market has lagged behind the US government securities market in terms of overall return (including appreciation). The next couple of years could prove to be a testing time for a sector of the US financial markets which increasingly appears to have more in common with the US equity markets than the straight corporate debt markets.

William Hall

Hudson's Bay cuts loss

BY BERNARD SIMON IN TORONTO

HUDSON'S BAY COMPANY, the debt-laden Canadian retail, property and fur trading group, reduced net losses to C$5.6m (US$4m) or C$1.09 a share in the year to January, from C$197.4m or C$5.40.

Revenues rose 9.2 per cent to C$5.3bn and operating profits more than doubled from C$111.9m to C$252.9m. But trading income was wiped out by interest charges on the company's debt. Interest payments rose from C$199.3m to C$250.4m, reflecting a further increase in borrowings.

The improved trading results came mainly from the retail division, consisting of the Bay, Simpsons and Zellers department store chains. Hudson's Bay said operating profits from merchandising jumped from C$17.1m to C$123.4m. Retail sales values rose by 9 per cent.

A reorganisation begun a year ago has cut expenses at Simpsons, which has been the biggest drain on the group's resources in the past few years. Operating income from Markborough Properties, the group's successful real estate arm, grew by 7.3 per cent to C$96.5m. Real estate profits were boosted by C$27.6m, mainly from the sale of four merchandising properties.

As part of its recovery plan, Hudson's Bay disposed of six peripheral businesses last year, realising C$66m.

The family of Lord Thomson of Fleet owns 73 per cent of Hudson's Bay.

Setback at Malaysian Banking

By Wong Sulong in Kuala Lumpur

MALAYAN BANKING, which recently replaced Bank Bumiputra as Malaysia's largest bank, suffered a 34 per cent decline in net profits to 33.8m ringgit ($13.5m) for the six months to December.

It blames the setback on a slowdown in the Malaysian economy, and an increase in non-performing loans, particularly for its overseas operations. The bank said second-half earnings were not expected to improve.

Malayan banking is also expected to be hit by the collapse of the rescue plan for the International Tin Council debts.

● Harrisons Malaysian Plantations, the country's largest plantations group, showed a 36 per cent fall in pre-tax profits for nine months to December to 97.2m ringgit, on a turnover which was 18 per cent lower at 616m ringgit.

The company, in which Harrisons and Crosfield of the UK has a 30 per cent stake, is cutting its interim to 6 cents from 10 cents.

Esselte boosts earnings

BY OUR FINANCIAL STAFF

ESSELTE, the Swedish office supplies group, boosted 1985 earnings by 16.1 per cent to SKr 741m ($101.6m), on sales 17.3 per cent ahead at SKr 10.22bn.

This slightly exceeds company forecasts made in September, which indicated profit and turnover growth each of about 15 per cent for the year. The projection for the current year is for a slower growth rate, however, with sales expected to increase 10 per cent and earnings to rise correspondingly.

The dividend is being lifted to SKr 13.50 a share from SKr 12, and the company is proposing a four-for-one share split.

● Nobel Industries, the Swedish armaments and chemicals group, improved profits to SKr 300m after financial items last year from SKr 167m, helped by the 1984 acquisition of Kemanobel, Kevin Done adds from Stockholm.

Turnover jumped to SKr 10.88 bn from SKr 7.04bn. Kemanobel was consolidated in group figures from September 1984.

The group had extraordinary income in 1985 of SKr 182m. This was balanced by extraordinary charges of SKr 166m.

The group plans to raise its dividend to SKr 8 from SKr 7 a share and is to make a two-for-five bonus issue. It forecasts a further recovery in profits in 1985.

Write-off hits Indiana utility

PUBLIC SERVICE of Indiana, the electric utility, expects to suffer a net loss of $1.25bn for 1985, or $23.17 a share, because of a write-off from its Marble Hill nuclear plant, Reuter reports from Plainfield, Indiana.

Earnings from operations were $118m or $1.66 a share. The total write-off at the plant is $1.34bn.

The Securities and Exchange Commission had allowed it to report $475m as a "regulatory asset," the utility said.

Jacobs Suchard lifts dividend

JACOBS SUCHARD, the Swiss coffee and chocolate group, proposes to raise shareholders' dividends by 3.3 per cent after reporting a 25 per cent improvement in consolidated net earnings to SFr 150m ($78m) in 1985, writes William Dullforce in Geneva.

The proposed dividends are SFr 155 per bearer share, SFr 31 per registered share and SFr 15.5 per participation certificate. Holders benefited last year from a one-for-three rights issue.

Turnover climbed 5.3 per cent to SFr 5.3bn.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Oaron Tatalsi Elec. ¶‡	100	1991	5	4	100	Nomura Int.	4.000
Fujita Corp. ¶‡	50	1991	5	4	100	Nomura Int.	4.000
Volvo ‡	100	1988	2½	7⅞	100½	Merrill Lynch	7.615
Unocal (a)†‡	200	1996	10	½	100	UBS (Secs)	–
Gibraltar Savings §‡	100	2006	20	7½	100	Drexel Burnham Lambert	7.641
ICI Finance ‡	100	1996	10	8	100¼	UBS (Secs)	7.963
Fuji Electric ‡	80	1996	10	8½	101⅜	Daiwa Europe	8.046
Norsk Hydro ‡	150	1996	10	8	100	Salomon Brothers	8.000
BPCA Finance ‡	150	1998	12	8⅜	100¼	S. G. Warburg	8.341
Sparekassen (c)†‡	40	1991	5	⅛	100	Morgan Stanley	–
SNCF (d)†‡	66	1966	10	⅛	100	Credit Lyonnais	–
CCF (e)‡	100	1994	8	7¾	100⅞	CCF	7.600
Prov. New Brunswick (f)‡	75	1996	10	8	99¾	UBS (Secs)	8.037
Chrysler Fin. Corp. (g)†‡	100	1991	5	¾	100	Merrill Lynch	–
Thermedics Inc. §	25	1996	10	(5¼–5¾)	*	Shearson Lehman Bros.	*
General Electric ‡	200	1993	7	4⅛	82.55	Nikko Secs. (Europe)	7.409
BASF Finance ¶‡	235	2001	10	3	100	Deutsche Bk Cap.Mkts.	3.000
CANADIAN DOLLARS							
Chrysler Cr. Canada ‡	75	1991	5	10	100¼	Orion Royal Bank	9.934
Canadian Farm Cr. Corp. ‡	90	1993	7	9¼	100¾	Nomura Secs.	9.976
Ford Credit Canada ‡	75	1993	7	10	101¼	UBS (Secs)	9.745
D-MARKS							
Kao Corp. ¶‡	120	1993	7	1⅞	100	WestLB	1.875
Series C Euro-DM Secs. ‡	600	2016	30	0	17.65	Commerzbank	5.952
Series C Euro-DM Secs. ‡	268.23	2006	20	0	27.85	Commerzbank	6.600
Series C Euro-DM Secs. ‡	268.23	1996	10	0	54.75	Commerzbank	6.209
Int. Finance Corp. **‡	100	1996	10	5⅞	99½	Deutsche Bank	5.943
EIB ‡	300	1996	10	5⅝	99¾	Deutsche Bank	5.658
Montedison Fin. (h)†‡	150	1993	7	⅛	100	Deutsche Bank	–
Amro Bank ‡	200	1994	8	5¾	99½	Deutsche Bank	5.830
SWISS FRANCS							
FAI Financial Ser. ‡	200	1998	–	5⅝	100	Soditic	5.625
Fujita Corp. **¶‡	100	1991	–	2⅛	100	Credit Suisse	2.125
NTT ‡	200	1996	–	4⅞	100	SBC	4.875
NTT ‡	100	2006	–	5⅛	100	SBC	5.125
Province of Styria ‡	100	2001	–	5	99⅝	Wirtschafts- und Privatbk	5.036
Mitsubishi Motors **‡	100	1991	–	4⅞	100	SBC	4.875
Itoham Food **¶	80	1991	–	(2¼)	*	SBC	*
Towa Real Estate **¶	60	1991	–	(2¼)	100	Credit Suisse	*
Chukyo TV B'casting **‡	10	1991	–	5	100	Handelsbank	5.000
Idemitsu Int. **‡	100	1991	–	4⅞	99¾	UBS	4.933
ECUs							
Banco di Roma ‡	100	1993	7	8¼	100½	CIBC Ltd.	8.153
ECSC ‡	30	1986	8	7⅝	100	Svenska Handelsbanken	7.625
Colgate-Palmolive ‡	75	1991	5	8	101½	Chase Manhattan	7.628
STERLING							
Nationwide ‡	75	1993	7	10⅛	101	CSFB	9.928
Bradford & Bingley (b)†‡	100	1998	12	⅛	100	CSFB	–
Alliance and Leicester ‡	60	1991	5	10	100½	S. G. Warburg	9.869
Commerzbank ‡	50	1993	7	10	101	Samuel Montagu	9.798
Leeds Permanent (b)†‡	200	1996	10	⅛	100	Baring Brothers	–
FRENCH FRANCS							
Swedish Export Credit ‡	600	1996	10	8¾	100	CCF	6.750
LUXEMBOURG FRANCS							
Svenska Finans **‡	300	1991	5	9	100⅜	BIL	8.904
Kone Finance **‡	300	1991	5	9	100	Kredietbank Int.	9.000
EIB **‡	300	1992	6	8⅝	100	BIL	8.625
YEN							
Sumitomo Metals ¶‡	20bn	1991	5	7	101½	Daiwa Europe	6.638
CFP-Total ‡	10bn	1991	5	6	101½	Sumitomo Fin. Int.	5.647
Swedish Export Credit ‡	10bn	1991	5	6	101½	Sanwa Int.	5.647
Finland ‡	15bn	1991	5	5¾	101⅜	Bank of Tokyo Int.	5.429
IBM ‡	18bn	1991	5	5¾	101½	Salomon Brothers	5.400
American Express ‡	20bn	1991	5	5⅞	101	Nomura Int.	5.640
Atlantic Richfield ‡	18bn	1996	10	6⅛	100⅞	LTCB Int.	6.006

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ∅ With bond warrants. § Currency-linked. (a) ½ over 6m Libor. (b) ⅛ over 3m Libor. (c) ⅛ over 3m Libor, additional $35m tap. (d) ¼ over 6m Libor. (e) 7¾% first 4 yrs. (f) Additional $25m tap. (g) ¾ over 6m Libor, additional $50m tap. (h) ⅛ over 6m Libor. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Oil prices dominate market sentiment

THE US credit markets ended last Friday gasping for breath after a runaway surge in demand earlier in the week. On Monday, long-term yields marked up yet another milestone when they dropped briefly through the 8 per cent mark for the first time in nine years, and the following day they tested the 7.90 per cent barrier as well. Although yields edged up again at the end of the week to 7.95 per cent, they were still down by a full percentage point from the same period of last month.

Behind the performance of the market — and the jitters that overtook it later in the week — lies the now-familiar story of oil prices. Indeed, the sensitivity of interest rates to whatever is happening in the oil business was amply demonstrated on Friday, when the market failed to take the cue from weaker economic data and bring down yields any further.

The reason for this uncharacteristic reticence can be traced to Opec and suggestions that sufficient discipline may be re-injected into production rates among the members of the oil consortium to bring down inventories and push prices up again. Virtually any suggestion that oil prices can go north as well as south is enough these days to stop the credit markets dead in their tracks.

There was also some speculation early in the week that the Federal Reserve Board might be tempted to cut the discount rate yet again within a very short period of time. These suggestions, which undoubtedly added to the 3½-point rise in long bond prices on Monday and Tuesday, were mainly attributable to euphoria over the previous Friday's discount rate cut from 7.5 per cent to 7 per cent. Later in the week this buoyant mood gave way to a more cautious view that the Fed would now want to wait and measure its options.

Nevertheless, there remains strong support among analysts and economists for the belief that rates will continue downwards for the medium term, at least. The main thrust of this argument is that the economy remains sluggish and in need of stimulation, while inflation is so clearly under control that further interest rate declines are unlikely to reignite a new round of price increases.

Evidence that the economy is showing little sign of renewed vigour came flooding out of Washington last week. The figures showed that industrial production last month went into a nosedive, registering a 0.6 per cent drop, which was the sharpest fall since the end of the last recession. At the same time, business inventories climbed by 0.7 per cent in January, the biggest increase in months, suggesting that there will have to be some clear-out of stocks before growth can accelerate again.

On inflation, there was even more dramatic news — a 1.6 per cent decline in the producer price index for January, the biggest one-month drop since compilation started in 1947. The fall mainly reflected a slump in oil and gas prices, but was nevertheless larger than expected and will give added support to the feeling that any resurgence in inflation due to monetary stimulus and the decline in the dollar is some way away.

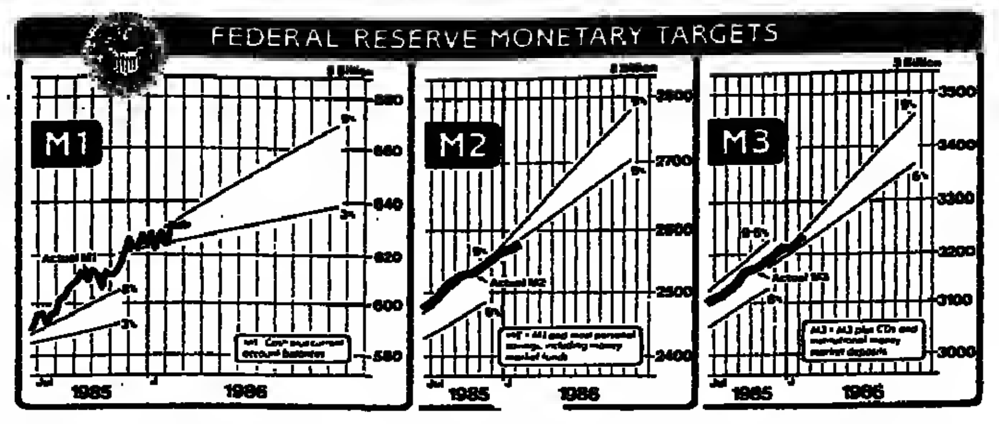
On the retail sales front, the figures also failed to show any sign of zip in the economy. The decline of 0.2 per cent in January was followed by a 0.1 per cent fall last month, with auto sales down a sharp 1.4 per cent because of lower incentives. Although special factors may have had some impact on these figures, they demonstrated that the consumer demand may not be as healthy this year as many Wall Street forecasts have assumed.

Following these statistics, some analysts spent Friday trimming their gross national product forecasts for the current 12 months, and even those who are sticking with their predictions clearly believe that the chances of undershooting are higher than those of overshooting.

"While we continue to look for 3 per cent to 4 per cent real GNP growth on average through the four quarters of 1986, it is possible that over the near term growth expectations can be disappointed and the argument for additional stimulus could gain more currency," said Mr Frank Mastrapasqua of Smith Barney.

Corporate treasurers, for their part, continued to take the view that current yields are too good a chance to miss in restructuring balance sheets by refinancing short-term borrowings with long-term debt. About $3.6bn of longer-term paper was issued last week, bringing the total so far this year to $37.3bn, an increase of more than 180 per cent over the same period last year.

Terry Dodsworth



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	7.54	7.69	7.88	8.91	7.10
Three-month Treasury bills	6.53	6.61	7.01	8.72	6.54
Six-month Treasury bills	6.56	6.61	7.09	9.20	6.54
Three-month prime CDs	7.15	7.35	7.70	8.40	7.20
30-day Commercial Paper	7.20	7.25	7.65	8.35	6.95
90-day Commercial Paper	7.10	7.13	7.80	8.20	7.00

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	105⅞	+⅞	7.63	7.79	8.53
20-year Treasury	112¾	+2⅜	8.13	8.34	9.10
30-year Treasury	114⅝	+2⅝	7.95	8.15	8.94
New 10-year "A" Financial	N/A	+⅝	8.50	8.80	9.35
New "AA" Long utility	N/A	+2⅝	9.00	9.28	10.00
New "AA" Long industrial	N/A	+⅞	8.88	9.00	10.00

Money Supply: In the week ended March 3 M1 fell by $2.2bn to $631.8bn.

Source: Salomon Bros (estimates).

UK GILTS

A confident signal from the Bank

IT IS less than three weeks since long gilt yields pushed down through the 10 per cent barrier, yet last week saw a tentative stab through 9½ per cent. The UK gilts market has been helped along by its big brother in New York, but this week, with the entrails of the Opec meeting and tomorrow's Budget to pore over, London may have to stand on its own feet.

The prospects appeared good enough to the Bank of England, for it emerged on Friday afternoon with a new issue of stock yielding 9.496 per cent. The £1bn tranche of Conversion 9 per cent 2000 A will be dealt in from this morning. The stock is once again partly paid, with the bulk of the money due in the next fiscal year.

National Savings sales figures get worse and worse — a net contribution to funding of only £45.8m in February — but immediate funding is clearly not a priority for the Government. It has already lined up £2.65bn of gilt calls stretching into June, in addition to the £1.2bn British Telecom call on April 9.

It should have been a week of celebration for the City's economists, who were at last on target with their forecasts for the money supply. Nobody noticed their success, however, for most sections of the market were concentrating on the prospect of a cut in base lending rates, and the remainder were already focusing on the Budget.

Will they pay more attention if, as now appears likely, the Chancellor announces the reinstatement of sterling M3 as a monetary target? Mr Stephen Lewis, of stockbroker Phillips & Drew, argues that £M3 would be less credible now than it was before its suspension.

In Whitehall, the problems of targeting £M3 are recognised, especially as the present policy of exactly funding the public sector borrowing requirement removes the most basic tool for controlling the monetary aggregate. For anything more than broad, long-term direction the Government would have to rely solely on interest rates, and so much of M3 is made up of interest-bearing deposits that these can be a very perverse control mechanism.

There is also the problem of what range to target. The 3 per cent to 7 per cent range suggested a year ago in the Medium Term Financial Strategy for 1986-87 is not even half the current rate of growth. Stating a higher range would be quite reasonable, since it can be argued that declining velocity means that faster £M3 growth is still consistent with the same inflation goals. But it would lack some of the magic gleam of the MTFS, with its neat, downward sloping lines.

At all events, the Chancellor is expected to provide an indication of his assumptions on velocity to back up any monetary targets. The velocity argument cuts both ways, however, for the same charts that show £M3 velocity falling will also show M0 velocity rising.

Mr Roger Bootle, chief economist at Lloyds Merchant Bank, remains unimpressed. "I don't think sterling M3 would be at all credible in the City," he said.

"It would help if the target range were set around the current rate of 13 to 15 per cent, but quite what that would convey on inflation, I do not know. Would anyone expect the Chancellor to take interest rate action to curb £M3 if it went outside that range?"

Last week also saw the London International Financial Futures Exchange introduce a new option contract on its long gilt futures. The first futures option, on Chicago's Treasury bond futures, now trade more than 70m $100,000 contracts a year, and some brokers expect Liffe's new offering to be greeted with enthusiasm. Unlike a conventional cash option, a futures option keeps the element of gearing on exercise, and a trader can hold either long or short positions with equal ease.

The Stock Exchange responded to Thursday's Liffe launch with a systems failure on Friday that shut down the traded options market. It had better look to its laurels.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅛ 94	100	105⅞	-1	10.72
AIDC 11 89	75	[illegible]	[illegible]	8.01
Alcan Australia 8⅝ 89	25	[illegible]	[illegible]	8.36
Amer Savings 12 89	[illegible]	[illegible]	[illegible]	8.82
Amer Savings 12⅛ 89	[illegible]	[illegible]	[illegible]	0.78
Asian Dev Bk 11⅛ 93	[illegible]	[illegible]	[illegible]	0.00
Australia 11⅝ 90	[illegible]	[illegible]	[illegible]	7.97
Australia 11⅛ 95	[illegible]	[illegible]	[illegible]	8.10
Australia 11⅛ 15	[illegible]	[illegible]	[illegible]	8.46
Austria 15⅛ 96	[illegible]	[illegible]	[illegible]	7.96
Avon Fin 10⅞ 92	[illegible]	[illegible]	[illegible]	8.82
Bk Nova Scotia 13⅛ 87	[illegible]	[illegible]	[illegible]	0.10
Bank of Tokyo 12⅛ 92	[illegible]	[illegible]	[illegible]	9.20
Bank of Tokyo 12⅛ 91	[illegible]	[illegible]	[illegible]	8.37
Bank of Tokyo 13⅛ 89	[illegible]	[illegible]	[illegible]	8.32
BMW O/S Ents 10⅛ 91	[illegible]	[illegible]	[illegible]	8.86
BP Capital 11⅞ 92	[illegible]	[illegible]	[illegible]	8.02
Br Col Hydro 11⅛ 93	[illegible]	[illegible]	[illegible]	8.48
Br Col Hydro 12⅛ 90	[illegible]	[illegible]	[illegible]	0.90
Br Col Hydro 12⅛ 13	[illegible]	[illegible]	[illegible]	0.69
British Fin 11⅛ 90	[illegible]	[illegible]	[illegible]	8.93
Caisse Nat En 11⅛ 95	[illegible]	[illegible]	[illegible]	8.73
Canada 10⅛ 93	[illegible]	[illegible]	[illegible]	7.78
CBS Inc 11⅝ 92	[illegible]	[illegible]	[illegible]	10.11
Centrust S & L 0 10	[illegible]	[illegible]	[illegible]	0.77
Cheesebrough 12 92	[illegible]	[illegible]	[illegible]	10.30
Chubu Elec Pwr 13⅛ 01	[illegible]	[illegible]	[illegible]	11.17
Citicorp O/S 10⅛ 90	[illegible]	[illegible]	[illegible]	8.71
Citicorp O/S 11⅜ 90	[illegible]	[illegible]	[illegible]	10.39
Citicorp 11⅝ 92	[illegible]	[illegible]	[illegible]	8.93
Citicorp 11⅛ 97	[illegible]	[illegible]	[illegible]	10.63
Citicorp O/S 11⅛ 94	[illegible]	[illegible]	[illegible]	13.59
CNCA 11⅜ 92	[illegible]	[illegible]	[illegible]	9.56
CNCA 13⅜ 91	[illegible]	[illegible]	[illegible]	8.53
Coastled Int 12⅝ 88	[illegible]	[illegible]	[illegible]	0.04
Coca-Cola 11⅛ 88	[illegible]	[illegible]	[illegible]	7.94
Cp Fr de Pars 13⅛ 89	[illegible]	[illegible]	[illegible]	10.66
Continental Crp 11⅛ 93	[illegible]	[illegible]	[illegible]	10.98
Creditanstalt 13⅛ 91	[illegible]	[illegible]	[illegible]	8.87
Daiichi Kangyo 12⅛ 90	[illegible]	[illegible]	[illegible]	8.41
Denmark 10⅛ 90	[illegible]	[illegible]	[illegible]	8.74
Denmark 11⅛ 92	[illegible]	[illegible]	[illegible]	8.72
Denmark 12⅛ 92	[illegible]	[illegible]	[illegible]	12.26
Denmark 13 91	100	118	+1⅛	8.64
Denmark 13 92	100	101½	-0⅛	12.53
Denmark 13⅜ 01	100	119⅛	+0⅞	8.72
Denmark 13⅞ 88	100	111½	+0⅛	8.36
Denmark 14 91	100	112⅞	+1⅛	10.67
Digital Equip 11⅛ 89	190	108⅞	+0½	8.29
Dutch St Mines 11⅛ 91	150	105⅝	+0¼	8.80
Eksportfinans 11⅛ 92	100	112⅝	+1¼	8.49
Eksportfinans 11⅛ 90	100	100⅛	+1⅛	9.18
Elec de France 11⅛ 93	100	114	+1	8.42
Elec de France 12¾ 87	150	106½	0	8.22
EEC 11 87	350	103⅞	+0⅞	7.76
EEC 11⅝ 90	100	109½	+1	8.16
EEC 12 93	100	118⅛	+1⅛	8.57
Elf-Aquitaine 10⅞ 89	100	106	+0¼	8.41
Ericsson L M 10⅛ 89	100	102⅞	+0½	8.82
Euro Inv Bk 11⅛ 90	200	111⅞	+0⅞	8.35
Euro Inv Bk 11¼ 91	73	107⅞	-1½	9.55
Euro Inv Bk 12⅛ 90	100	114⅛	+1⅞	8.13
EDC 9⅞ 89	200	103½	+0⅛	8.24
EDC 10 88	125	104	+0⅛	7.77
EDC 10½ 88	100	104⅞	+0⅛	7.77
EDC 11⅛ 89	150	108	+0⅛	7.94
EDC 12 89	100	111⅛	+0⅛	8.10
EDC 13¼ 87	100	107¼	+0⅛	7.91
Fed Dept Store 11 90	100	108⅞	+1⅛	8.30
Finland 11⅛ 89	100	108	+0¼	7.86
Finland 12¼ 94	75	121⅛	+1⅛	8.56
Finnish Export 12¼ 87	75	106¼	+0⅛	8.01
Firstfed Mich 13⅛ 89	125	109⅛	+0⅛	8.67
Florida Fed 12⅛ 89	100	106⅛	+0⅛	8.99
FNMA 11⅛ 91	300	110⅞	-0⅛	8.97
Gen Elec Cred 0 96	600	43⅞	+0⅞	0.31
Gen Elec Cred 9¾ 91	100	103⅞	+0½	8.79
Gen Elec Cred 10⅛ 90	200	105¼	+0⅛	9.67
Gen Elec Cred 11 91	200	106⅛	+0⅛	0.32
Gen Elec Cred 11⅛ 87	200	106⅛	+0⅛	10.75
Gen Elec Cred 12 94	200	110⅞	+0½	10.04
Gen Foods Cap 11⅛ 90	75	107⅛	+0⅛	8.32
General Mills 12 91	100	113¼	+8	8.83
GMAC 10 88	200	103⅛	+0⅛	8.07
Gen Motors Acc 10½ 50	200	104¼	+0⅛	9.14
Gen Motors Acc 11⅞ 90	100	106⅛	+0⅛	0.45
GMAC O/S Fin 15¼ 87	100	101½	+0⅛	11.44
CTE Finance 12 96	75	102⅞	-0⅛	11.58
Gulf Oil 10½ 94	100	100¼	+0⅛	10.10
GZB 14 91	100	119¾	+1⅛	8.10
Holl Air Fin 12¼ 91	100	100	-0⅛	10.66
Household Fin 11⅞ 92	100	106⅛	+0⅛	0.66
IBM 9⅜ 96	200	103¼	+0½	8.20
IBM (WTC) 10⅛ 89	300	105½	+1	0.63
IBM Credit 11 89	100	105⅝	+0½	0.27
IC Industries 8⅝ 87	35	98½	+0⅛	9.13
IC Industries 12 90	75	107	+0⅛	8.84
Inco 6 92	100	96⅝	-0⅛	8.69
Ind Bk Japan 10⅛ 92	100	107⅛	+1	9.89
Ind Bk Japan 10⅞ 95	100	107	+0⅝	9.66
Ind Bk Japan 11½ 99	125	110⅛	+0⅛	7.56
Ind Bk Japan 11⅞ 91	100	112½	+0⅛	8.94
Int-Amer Dev 12⅜ 91	190	117⅞	+1⅛	8.50
Int-Amer Dev 11⅛ 94	200	116⅛	+2⅞	0.12
Int Paper 12 91	75	106⅛	+0⅛	10.37
Int Stand Elec 0 97	112	33⅛	+0⅛	10.49
Int Stand Elec 12 96	75	106⅞	+0⅞	10.84
ITT 11⅛ 89	125	106⅛	+0⅛	0.36
ITT Credit Corp 10½ 90	75	105	0	8.01
Japan Airlines 12½ 94	10	115⅛	+1⅛	8.70
Japan Dev Bk 10⅛ 92	50	0		
Kellogg Co 10⅞ 50	100	106½	+1⅛	9.79
Kellogg Co 11⅛ 92	100	109½	+1⅛	0.07
Kimberley-Clark 12 94	150	118⅛	+2⅛	8.85
Kyowa Fin HK 12⅞ 50	100	114½	+0⅛	8.97
Long Term Cred 10¼ 90	150	106⅛	+1⅛	8.28
Long Term Cred 11 90	100	106⅞	+1⅛	8.30
Long Term Cred 11⅞ 89	100	110⅛	+1⅛	8.00
Long Term Cred 12 99	100	118½	+1⅛	8.60
Macy R H 11¼ 91	100	103⅛	+0⅛	10.69
Macy R H 11⅛ 95	100	103⅞	+0⅛	11.03
Manitoba 14¼ 91	190	126⅛	+1¼	8.64
Marubeni 11⅛ 01	100	103	-5⅝	10.63
McDonalds Fin 11⅛ 94	75	108½	+0½	8.99
Merrill Lynch 12¾ 89	100	106¼	+0⅛	10.33
Michelin 10 94	125	100⅝	+0⅛	8.93
Mitsubishi Co 10½ 92	100	104⅞	-0⅛	8.39
Mitsubishi Cp 10¾ 95	200	107	+0⅛	8.42
Mitsubishi Co 12½ 81	100	117¼	+1⅛	8.24
Mitsubishi Est 11¼ 89	90	106⅛	+0⅛	8.28
Mitsui Eng 7⅛ 88	50	110	+6⅛	-0.01
Mitsui Fin Asia 12⅛ 92	100	113⅝	+0¼	8.02
Mitsui Tst Fin 12 91	100	114⅛	+1⅛	8.24
Mobil Corp 10⅝ 90	200	104⅝	+0⅛	0.94
Montreal City 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mgn Guaranty 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Morgan J P 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mount Isa Fin 13⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]
Nat Westminster 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ned Gasunie 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ned Gasunie 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
N Eng Lf Mtg 11⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 13 91	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 11⅜ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Crd Bk 13⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Nissho-Iwai 8⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]
Nomura 8⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 11⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Oester Post 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ohbayashi-Gumi 7⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 12⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Gas & El 12 90	[illegible]	[illegible]	[illegible]	[illegible]
Penney J C 11 89	[illegible]	[illegible]	[illegible]	[illegible]
Penney J C 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Phillips Petrol 14 89	[illegible]	[illegible]	[illegible]	[illegible]
Rostipankki 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Post-Och Kred 13⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken 12⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Prudential Ins 12⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 0 90	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 11⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Prov 12¼ 94	100	115⅛	+1⅞	8.43
Queensland Gvt 11⅛ 88	100	109¼	+1¼	8.35
RBC 11⅛ 90	100	108⅞	+1⅛	8.64
Rural Bk Aust 12 91	50	108	+0½	8.86
Sanwa Bank 11⅞ 92	150	113⅛	+1⅛	8.83
Saskatchewan 10¾ 92	100	111⅞	+1⅛	0.31
Saskatchewan 10¾ 90	125	108	+0⅛	8.32
Saskatchewan 11⅛ 89	100	111⅛	+0⅞	8.13
Saskatchewan 15 92	150	130⅛	+2⅛	8.61
Saskatchewan 10 89	125	120⅛	+0⅛	8.09
Scot Intl Fin 14⅛ 96	50	118	+1	11.15
Sears O/S Fin 0 98	500	34	+0⅞	9.15
Sears Roebuck 10⅛ 91	190	106	+1⅛	0.02
Sears Roebuck 11⅛ 91	150	112¼	+1⅛	8.45
Sec Pacific 12 92	100	115	+2⅛	8.57
Shearson/Amex 12⅛ 94	100	111⅛	+1⅛	10.04
Shell (Canada) 14⅛ 92	125	114⅛	0	11.04
Signal Comps 11⅛ 92	125	109⅝	+1¼	9.52
Standard Oil 10½ 89	100	103½	+0⅛	8.06
Statoil 12 89	100	107⅛	+0¼	7.88
Sumitomo Corp 10½ 92	100	0		
Sumitomo Fin 11⅛ 92	150	114⅛	+2⅞	8.54
Sumitomo Fin 12⅛ 91	150	117⅛	+2	8.46
Sumitomo Trust 12½ 92	100	116⅛	+3	8.75
Sweden 11½ 89	200	110⅛	+1	0.15
Sweden 12⅛ 89	200	111¼	+0¼	0.13
Swedish Export 10¼ 96	100	105	+0½	8.82
Swedish Export 11⅛ 89	100	108½	+1	8.05
Swedish Export 12⅛ 89	100	110¼	+0⅛	8.19
Taiyo Kobe 11⅞ 90	100	111⅛	+0⅛	0.55
Taiyo Kobe 12 90	100	112⅞	+1⅛	8.57
Tenneco Corp 11⅞ 89	150	106½	+1⅛	0.78
Texaco Capital 10½ 90	200	94⅛	-0⅛	12.03
Texaco Capital 10½ 93	200	97½	-3½	10.97
Texaco Capital 13½ 89	200	104⅛	-0⅛	11.79
Texas Instru 11⅞ 91	150	105⅜	+1⅛	10.09
Tokai Asia 12¼ 01	100	112⅞	+0⅛	8.97
Tokyo Elec Pr 13⅛ 89	100	0		
Tokyo Metrop 12⅞ 94	50	114	-2¼	10.27
Toray Inds 11⅛ 92	50	103½	-2⅛	10.29
Toronto-Dom 12⅛ 89	50	109⅛	+0¼	0.02
UBS 12¼ 97	100	106	-0⅛	10.17
Utd Tech 11¼ 92	150	111⅛	+0⅛	8.87
Vobs S 93	10	216½	-10⅛	0.00
Wesl LB 11⅞ 90	100	111⅛	+1⅛	8.82
Westpac 12⅛ 92	100	117	+1⅛	8.78
Weyerhaeuser 11½ 90	90	104⅞	+0⅛	10.11
World Bk 11 92	300	112⅛	+1⅛	8.20
World Bk 11⅛ 90	200	111⅛	+1⅛	8.16
World Bk 11⅛ 89	200	109⅛	+1⅛	7.71
World Bk 12 93	200	118⅛	+1⅛	8.53
World Bk 12¼ 94	150	121⅛	+1⅛	8.63
World Bk 12⅞ 94	200	124¼	+1⅛	8.69
Yasuda Trust 12⅛ 89	100	111½	+0⅛	7.99

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100¼	+0¼	8 3/16
Arab Bank Corp ⅛ 96	100	99¼	+0⅛	8 11/16
Banca Lavoro ⅛ 91	100	100	+0¼	8 7/16
Banco di Roma 1/16 89	150	100⅛	+0¼	8 5/16
Banco di Roma 1/16 92 CU	75	99⅞	0	10 5/16
Bankers Tr NY ⅛ 94	200	100⅛	0	8¼
Bank of Greece ⅛ 94	150			8 7/16
Bk Montreal ⅛ 94 £	100	100⅛	0	11¼
Bqe Nat Paris ¼ 88	400	101	0	8⅛
Bqe Nat Paris ⅛ 95	400	101⅛	+0⅛	8¼
Bqe Nat Paris ⅛ 96	250	100¼	+0½	8⅛
Barclays O/S ⅛†	600	100⅛	0	8⅛
BBL ⅛ 95	100	100¼	0	8 5/16
BBL ⅛ 99	100	100¼	+0⅛	8 7/16
BCI ⅛ 96	300	100½	0	8 7/16
BFCE ⅛ 87	400	98½	+0⅛	8 5/16
BFCE ¼ 90	600	100⅛	0	7⅞
Belgium 1/16 04	400	100	0	8¼
CCCE ⅛ 05	200	100⅛	0	8½
CEPME ⅛ 50 £	100	100¼	+0¼	11 7/16
Ch Manhattan ⅛ 89	400	100	0	8
Chemical NY 1/16 99	300	99⅛	0	8 5/16
Citicorp P/S ⅛ 91 £	100	98½	-0⅛	12 11/16
Citicorp O/S ⅛ 96	250	98⅛	-0¼	7⅞
Citicorp Pen Pos ⅛ 97	250	100	+0⅛	8 5/16
Commerzbank ⅛ 89	150	100¼	0	8⅛
Creditanstalt 1/16 96	150	100½	+0⅛	8
Credit Foncier ⅛ 00 £	100	100⅛	0	13 5/16
Credit Lyonnais ⅛ 96	300	100⅛	+0⅛	8¼
Credit Lyonnais ⅛ 89	250	100⅛	0	8 5/16
Cred Lyonnais 1/16 00	300	100¼	+0⅛	8 5/16
Credit National ⅛ 50 £	100	99⅝	-0⅛	11⅞
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	8¼
Den Danske Bank 1/16 89	30	100	0	8¼
Denmark 1/16 50	500	100¼	+0⅛	8 9/16
Denmark 1/16 95	250	108¼	+4⅛	10
Eldorado Nuko 88	100	100⅛	+0⅛	8
Elec de France ⅛ 89	400	101	0	8 5/16
ENEL ⅛ 93 £	100	100⅛	+0½	12 5/16
Exterior Int ⅛ 96	125	100⅛	+0⅛	8 5/16
Ferro del Stat ⅛ 88	100	100⅛	-0⅛	8⅛
Ferro del Stat 97	420	98¼	0	8 5/16
Fiat Fin Corp 8⅛ 91	100	100	0	8⅛
First Chicago ⅛ 94	100	99¼	+0⅞	8 5/16
First Chicago 1/16 97	200	50⅛	0	8 5/16
Ford Motor Cr ⅛ 91	200	99⅞	-0⅛	8 5/16
GW O/S Fin ⅛ 94	100	99⅛	+0⅛	8⅛
Grindlays ⅛ 94	100	100⅛	0	8¼
Interfirst Tex ⅛ 89	100	95	-0⅛	8 5/16
Ireland ⅛ 88	50	100	0	8½
Ireland ⅛ 93 £	60	100⅛	0	13 5/16
Ireland 1/16 94	300	100⅛	0	8 5/16
Ireland ⅛ 99 £	100	100¼	+0⅛	12⅛
Ireland ⅛ 97	300	100⅛	0	8½
Ireland 1/16 99	300	100⅛	0	8 15/16
Italy ⅛ 94	1bn	100	0	8 5/16
Italy ⅛ 89	500			8⅛
Kleinwort Benson ⅛ 96	100	100⅛	+0⅛	8½
Korea Dev Bk ⅛ 00	100			8½
Lincoln S & L ⅛ 89	100	99⅝	+0⅛	8 5/16
Malaysia ⅛ 93	500	100	0	8¼
Malaysia ⅛ 94	500	99⅞	-0⅛	8⅛
Man Hanover ⅛ 94 £	75	98⅛	0	12 11/16
Marine Midland ⅛ 94	125	100	0	8 5/16
Marine Midland ⅛ 95	125	99⅞	+0⅛	8 5/16
Marine Midland 1/16 89	150	99⅝	-0⅛	8 5/16
Mellon Bank ⅛ 96	250	100	0	8⅛
Midland Intl ⅛ 99	200	100¼	0	7 15/16
Mitsui Fin ⅛ 90	100	100⅛	+0⅛	7 15/16
Morgan Grenfell ⅛ 94	90	99⅛	-0⅛	8 5/16
Mtg Informed ⅛ 10 £	50	100	0	12
Nat Bank Canada ⅛ 91	50	100⅛	0	8 7/16
NatWest 1/16 05	400	100⅛	0	8 7/16
NatWest Fin ⅛	300	100⅛	0	8 5/16
Neste Oy ⅛ 94	100	100⅛	+0⅛	8 5/16
New Zealand ⅛ 87	300			8⅛
NZ Steel Corp ⅛ 92	225	100⅛	0	8 5/16
Offshore Min ⅛ 01	150	100⅛	0	8¼
Oster Ln Bank ⅛ 99	100	100	0	8 7/16
Portugal ⅛ 92	100	100	0	8⅛
Queensland Coal ⅛ 96	155	100⅛	0	8 5/16
Renfe ⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
SEAT ⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]
Shawmut Corp ⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]
SNCF ⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]
Soc Generale ⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]
Soc Generale ⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]
Spain ⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]
Spain ⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]
Standard Chart ⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Trust ⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Sweden ⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 99	[illegible]	[illegible]	[illegible]	[illegible]
Swedish Ex Cred ⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Thailand ⅛ 05	[illegible]	[illegible]	[illegible]	[illegible]
Tokai Asia ⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Toyo Trust Asia ⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
TVP Power ⅛ 04	[illegible]	[illegible]	[illegible]	[illegible]
Union Bank Norw ⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 92	[illegible]	[illegible]	[illegible]	[illegible]
Wells Fargo ⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Wells Fargo Nds ⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Yorkshire Int ⅛ 87 £	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	[illegible]	[illegible]	[illegible]	[illegible]
Bast Denki 5⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]
Canon 7 87	[illegible]	[illegible]	[illegible]	[illegible]
Daiwa Secs 5⅛ 99	[illegible]	[illegible]	[illegible]	[illegible]
Gov Sask Slag 6⅛ 89	10	74	+1	50.93
Elders 11⅛ 94	150	115⅛	+0⅛	3.50
Elektrowatt 5 96	51	138⅛	-0⅛	-5.81
Fujitsu 3 00	150	107⅛	-0⅛	4.25
Intec Inc 3 99	50	144⅛	+12	4.89
Kyowa Hakko 6⅛ 97	40	311⅛	+50⅞	0.64
LASMO 9⅛ 96	44	85	-0⅛	77.16
Mast-Hennessy 7 98	50	160⅛	-5⅛	-89.42
Murata Mfg 3½ 00	100	142⅛	+3⅛	22.42
Nippon Oil 3⅛ 00	50	120⅞	+10⅛	0.89
Ono Pharm 3⅛ 96	60	150⅛	-5⅛	-0.28
Soc Gen Surv 4⅞ 94	90	168	+1⅛	0.40
Sumitomo Corp 2⅞ 99	10	182⅛	+7⅛	-2.23
Texaco Capital 11⅛ 94	1bn	100⅛	+1⅛	71.99
Texaco Capital 11⅛ 94	500	56⅛	+1⅛	68.67
Toumura Jatndo 5⅛ 95	30	149⅛	-0½	-3.68
Yamaichi Sec 3⅛ 95	20	211⅛	+17	1.30

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅛ 94	15	108⅛	+⅛	6.05
Avon Products 6⅛ 01	29	98½	+0⅛	7.07
Denmark 5⅛ 92	20	103⅛	+0⅛	5.05
Dow Chemical 7 94	20	102⅛	+0⅛	0.65
EDF 5⅞ 95	20	105⅛	+0⅛	5.96
Eurofima 7⅛ 94	10	108⅛	+0⅛	0.38
Eurofima 6⅛ 92	10	103⅛	0	5.96
FNMA 5⅛ 92	50	103⅞	+0½	0.07
GMAC 6½ 90	25	102⅛	+0⅛	5.87
Intel 6⅛ 92	12.6	97⅛	+0⅛	7.13
Int-Amer Dev 7⅛ 93	15	103⅞	+0⅛	7.19
ITT 6⅛ 92	20	101⅛	+0⅛	8.29
McDonald Corp 6⅞ 92	25	102⅛	+0⅛	5.06
New Zealand 7⅛ 90	18	105⅛	+0⅞	6.83
New Zealand 7⅛ 89	15	105⅛	+0⅛	5.75
Pacific Gas & El 7 94	20	103⅛	+0⅛	2.50
Penney J C 6⅛ 92	20	100⅞	+0⅛	6.56
Proctal 6⅛ 92	25	103	+0½	5.00
Sallie Mae 6⅛ 92	25	103	+1	6.00
TRW 7 94	15	102⅛	+0½	5.01
Utd Technology 6⅛ 92	25	102⅛	+0⅞	5.04
World Bank 7 94	20	105⅛	+0⅛	5.93
World Bank 7⅛ 93	20	108⅛	+0½	6.14
World Bank 8 93	20	110⅛	+1⅛	5.17

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
AOEA 9⅛ 89	600	101½	+0⅛	9.24
Eurofima 10 94	600	104⅛	0	9.15
E Coal & Steel 10½ 94	1bn	104⅛	0	8.61
Euro Invest Bk 10⅛ 94	1bn	105⅛	+0⅛	8.47
World Bank 10⅛ 89	1bn	103⅛	+0⅛	8.86

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	105⅛	0	5.83
ABN 7⅛ 89	150	106¼	+0⅛	6.78
Amro Bk 7¼ 89	150	103⅛	+0⅛	5.12
Amro Bk 8 89	200	105⅛	+0⅛	5.96
Bk Mees & Hope 8⅛ 88	100	106	-0⅛	3.34
Beatrice Foods 8⅛ 89	100	104	+0¼	5.60
C C Rabo 8 89	150	105	-0⅛	6.15
Denmark 8½ 91	100	108¼	+0⅛	6.53
Int Stand Elec 8⅛ 89	100	104½	0	5.65
New Zealand 8⅛ 89	100	105⅛	+0⅛	6.31

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅛ 01	50	104⅞	+0⅛	11.04
Aust Resources 11⅛ 92	50	105⅛	+1⅛	10.42
Bk of Tokyo 10⅛ 92	75	101	+0⅛	10.64
Bqe l'Indosuez 14 91	75	112	+0⅛	10.89
Br Col Munic 12⅛ 91	100	108½	+1⅛	10.18
Br Col Munic 13½ 91	100	112¼	+0⅞	10.29
Br Col Tele 12⅛ 89	10	106	+1⅛	11.48
Form Cred Corp 12¼ 90	75	107⅛	+1⅛	10.17
Kredietbank 12 92	75	105⅛	+0⅛	10.61
Long Term Cred 11⅛ 90	75	105⅛	+0⅞	9.89
Montreal City 12⅛ 91	50	107⅛	+1⅛	10.37
New Brunswick 12 95	75	109⅛	+1⅛	10.26
Nova Scotia 11⅛ 95	100	107⅛	+1⅛	10.36
Quebec Hydro 14 01	75	106⅛	+0¼	12.25

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	104⅛	+1⅛	8.52
Australia & NZ 10⅛ 91	50	104⅛	+0⅛	9.58
Austria 10⅛ 93	100	111⅛	+2⅞	8.41
BFCE 9⅛ 92	100	107⅛	+2⅛	8.06
Cred National 10¼ 94	50	111⅛	+1½	8.48
Cred National 11⅛ 01	50	105½	-1⅛	0.91
Denmark 10⅛ 91	75	106⅛	+0¼	8.03
Ebco Int 10⅞ 89	55	103⅛	0	5.58
EEC 11 93	50	105⅛	+0⅛	0.91
EEC 11⅛ 91	50	106⅞	+0⅛	9.50
EEC 11¼ 94	10	106	0	10.05
Euro Coal & Steel 8 94	60	116⅛	0	9.52
Euro Invest Bk 9⅛ 95	200	104⅛	+0⅞	8.57
Euro Invest Bk 10⅛ 94	130	110⅛	+1⅛	8.30
Euro Invest Bk 10½ 99	50	105⅛	0	8.42
Euro Invest Bk 10⅛ 94	100	110⅛	+1⅛	8.80
Euro Invest Bk 11⅛ 92	75	108⅛	+0⅛	8.23
Euro Invest Bk 11⅛ 93	50	106½	-0⅞	3.89
Euro Invest Bk 11⅛ 96	50	113⅛	+0⅛	8.08
Gen Finance 11 90	70	105⅛	0	9.49
Giro Vienna 10½ 93	60	107⅞	+0⅛	9.02
GTE Finance 10½ 92	50	108⅛	+0⅛	8.50
Ireland 10⅛ 95	80	104⅛	+1	9.45
Italian Govt 10½ 92	600	106⅞	+0⅛	9.06
Italian Treas 11⅛ 90	60	100⅛	+0⅛	8.12
Kredietbank L 9⅛ 92	75	106⅛	+1⅞	8.13
Megal Finance 11⅛ 94	100	150⅛	+0½	5.64
Nippon Cred Bk 11 91	90	107⅛	+1⅛	8.03
Nordic Inv 8 94	50	115	0	0.48
Post Och Kred 10⅛ 92	50	104⅛	+1⅛	0.10
Royal Bk Can 10½ 89	50	104⅛	+0¼	0.90
SNCI 10⅞ 94	50	107⅛	0	9.54
Swedish Export 11 88	57	103⅞	+0⅞	9.45
West LB 10⅛ 91	50	103⅛	0	8.85
World Bank 10¼ 88	100	105⅛	+0⅛	0.13

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12⅛ 89	40	95½	+2⅛	14.38
PIBA 12⅛ 89	50	94⅛	-1	14.92
State Bk NSW 12⅛ 89	40	95⅛	+1⅛	14.05
Woolworths 14⅛ 89	25	101	+0⅛	13.67

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10⅛ 91	100	103⅛	+1⅛	[illegible]
Denmark 10⅛ 89	75	101⅞	+0½	10.00
EEC 11⅛ 94	50	107⅛	+2⅛	10.01
Europeraf 11⅛ 92	50	107⅛	+2⅛	0.70
Euro Invest Bk 10⅛ 92	50	104⅛	+2⅛	9.95
Finland 11⅛ 88	50	102⅛	+0⅛	10.79
Grand Met Fin 10⅞ 50	50	102	+2⅛	10.26
Int-Amer Dev 11⅛ 81	00	104⅛	+1⅛	10.15
Int Stand Elec 11⅛ 89	50	102	+0⅛	10.25
Inv In Indust 11⅛ 91	50	103⅛	+1⅛	10.62
Ireland 11⅛ 94	50	105⅛	+2⅛	10.40
New Zealand 10⅛ 89	100	100⅞	+0⅛	10.28
SNCF 11⅛ 94	60	105⅛	+2⅛	0.98
World Bank 10⅛ 88	100	101⅛	+0½	0.97
World Bank 10⅛ 88	50	102⅛	+1⅛	0.85
World Bank 11 94	50	105⅛	+2⅛	[illegible]

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Bank Leu Int	30/5/88	[illegible]	[illegible]	[illegible]
Ciba-Geigy Int £	1/11/93	[illegible]	[illegible]	[illegible]
Credit Suisse	31/5/88	[illegible]	[illegible]	[illegible]
Credit Suisse	31/5/88	[illegible]	[illegible]	[illegible]
Fujikura	28/4/89	[illegible]	[illegible]	[illegible]
IC Industries	15/6/88	[illegible]	[illegible]	[illegible]
Kayaba Industry	15/2/89	[illegible]	[illegible]	[illegible]
Minebea	28/2/89	[illegible]	[illegible]	[illegible]
Mitsubishi Cp	7/11/86	[illegible]	[illegible]	[illegible]
Mitsui Petro	16/2/90	[illegible]	[illegible]	[illegible]
Nissho Iwai	[illegible]	[illegible]	[illegible]	[illegible]
Nomura	31/10/88	[illegible]	[illegible]	[illegible]
Swiss Bank Corp	20/12/88	[illegible]	[illegible]	[illegible]
Toray Ind	[illegible]	[illegible]	[illegible]	[illegible]
Yamato Kogyo	29/1/90	[illegible]	[illegible]	[illegible]

BOND WARRANTS	Expiry date	Price	Chg. on week	Exercise yield
Aegon Ins 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Coca Cola 11⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbk 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Du Pont 13⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans 13⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Jpn 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]
ITT Finance Corp	15/11/88	[illegible]	[illegible]	[illegible]
McDnld 11⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]
Oester Lndb 13⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]
Texaco Cap 12⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]
Tmto Dom 12⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield is redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. Change on week = change over price a week earlier.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn = current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. † Perpetual.

Closing prices on March 14.

Norton launches attack on McCorquodale's performance

BY MARTIN DICKSON

Norton Opax, the printing and publishing group, has issued a weekend attack on the relative "underperformance" of McCorquodale, the printing and packing group for which it has launched a £110m takeover.

In an offer document to shareholders, it compared a 74 per cent increase in McCorquodale's pre-tax profits over the past four years, with one of 393 per cent for itself. And it added that net extraordinary charges over the past four years had cost McCorquodale £10.4m.

However, Mr Nicholas Heroys McCorquodale's finance director, said yesterday that there was "nothing in the document to indicate any benefits for McCorquodale shareholders, employees or customers."

Norton, claiming it had "the ability to revitalise McCorquodale," said the UK was McCorquodale's core market but over the past four years, even before deducting extraordinary items, its British trading profits had only grown from £4.5m to £5.7m, while sales had increased from £74.7m to £106.2m, producing a decline in UK trading profit margins.

It added that McCorquodale was heavily dependent for its profits on associated companies, which presumably it did not control, and some of their earnings were subject to local exchange controls, meaning that cash for dividends was largely dependent on the UK market.

Norton claimed a combination of the two groups would make a formidable force in printing, packaging and publishing, both in the UK and internationally.

Norton, which is advised by Samuel Montagu, has followed the novel underwriting techniques first used by Argyll, another Montagu client, in mounting its £2.4bn bid for Distillers.

In both cases, there is a core group of underwriters — seven in the case of Norton — taking on £45m of the total £110m of underwriting.

There is also a premium for underwriters in the bid succeeding: if Norton loses it will have to pay out only £1.1m in commitment commissions, whereas if it wins these will total some £2.1m.

Under normal underwriting methods, these commissions would have totalled £1.85m, whatever the outcome. If Norton wins it will also face standard ½ per cent commissions, which could add between £375,000 and £750,000 to the total.

COMPANY NEWS IN BRIEF

FOBEL INTERNATIONAL'S Canadian associate company, Premium Forest Products, one of the largest door manufacturers in the world, has changed its name to Premdor Inc. and has filed with the Ontario Securities Commission a preliminary prospectus prior to a public issue of subordinate voting shares, which should lead to a full listing on the Toronto Stock Exchange in early May. Fobel owns 29 per cent of Premium Forest products, and will receive significant benefits as a result of the public issue.

GOODMAN BROTHERS, clothing manufacturer, cut its losses in the six months to end of October 1985. On turnover down from £6.04m to £5.23m, it suffered a pre-tax loss of £153,000 (£25,000 profit). In the second half of the previous year, losses totalled £554,000. The loss per 5p share came out at 1.5p (0.25p earnings) and again there is no interim dividend.

CAMELLIA INVESTMENTS, an investment holding company with interests in tea estates, fine art and philately, achieved higher taxable profits of £594,471 in 1985 compared with £508,668 in the previous year. Turnover was £1.95m (£1.75m). The final dividend is 7p (5p) for a 12p (10p) total. Earnings per share were 25.33p (18.58p) before an extraordinary credit of £1.13m (charge £71,364).

Property sales boost Dunton in first half

Dunton Group, USM-quoted brick maker, property developer and civil engineer, more than doubled pre-tax profits in the six months to November 30 1985 from £78,449 to £172,130 on turnover substantially ahead from £539,613 to £1.28m.

The directors say that the increase in volume is largely attributable to property sales in its joint ventures with Harman (Chesham) which are proceeding satisfactorily. Dunton paid £400,000 for a 30 per cent stake in Harman, a private housebuilder and public works contractor, in November 1985.

An interim dividend is being paid for the first time, of 0.16p. The company made a maiden 0.24p payment in respect of the year to May 1985 when profits reached £231,000. Net earnings per 5p share are shown up from 0.53p to 0.99p for the half year.

Brick sales throughout the period remained buoyant, the directors say, and production has been fully maintained.

Since the end of the half year, the company's civil engineering subsidiary has begun work on the infrastructures and substructures for the 58 dwellings comprising a joint venture in Chesham. Provided this winter's severe weather ends early, the directors expect a material increase in turnover and profitability for the division.

They anticipate that this, together with a first time contribution from the recent investment in Harman (Chesbam), and the normal spring increase in brick sales, will produce a satisfactory outcome for the second half.

FT Share Information

The following securities have been added to the Share Information Services: Fairmont Financial Inc (Section: Americans); Wickes (Drapery & Stores).

Elders outlines joint venture pub scheme to Allied

BY MARTIN DICKSON

Elders IXL, the Australian brewing, agriculture group which has made a £1.8bn bid for Allied-Lyons, wrote at the weekend to Allied's publicans outlining a "joint venture" pub scheme which is says it would introduce to Britain if it gained control of Allied.

The letter was despatched just two days after Elders surprised the City by selling its entire 6 per cent stake in Allied. It said at the time it was not quitting the takeover battle and would continue to make submissions to the Monopolies Commission, which is investigating the bid, though Allied's current share price was "unrealistic."

It also emerged at the weekend that Elders had sent a letter to Allied shareholders, dated just two days before it sold its stake, saying it was confident that its bid would be cleared.

Sir Derrick Holden-Brown, chairman of Allied, yesterday criticised Elders for sending both letters, saying they created further uncertainty. "I think it is disgraceful they haveo't got the straight guts to say we have taken our profits and gone," he added.

One of the letters outlines how Elders has introduced in Australia a scheme under which publicans become half owners of their pubs.

Elders said a similar, though not identical scheme, would be introduced in Britain. However, it would not be compulsory

SHARE STAKES

Changes in company share stakes anoounced over the past week include:

Argyle Trust—On March 10 J. N. Oppenheim, director, purchased 140,000 shares at 44.5p and now holds 3,040,000 (14.22 per cent). On the same date F. G. Calonder, director, purchased 35,000 at 44.5p aod now holds 785,000 (3.67 per cent).

Amber Day Holdings — Between March 7 and March 13 R. Metzger, director, beneficially disposed of 400,000 ordinary and acquired 5,000 10½ per cent preference and non-beneficially disposed of 70,160 ordinary and acquired 9,600 ordinary. D. S. Rose, director, disposed of his non-beneficial interest in 125,000 ordinary and D. C. Sampson, director, beneficially disposed of 50,000 ordinary and acquired 5,000 10½ per cent preference.

BOARD MEETINGS

TODAY

Interims: City of Aberdeen Land Association, London and Strathclyde Trust, MAI, Pennine Resources, Prestwich.

Finals: Beatson Clark, Charlie Browns Car Part Centres, Cambridge Electronic Industries, Counter Products Marketing, Davies and Metcalfe, Davidson Pearce, James Fisher, Thomas Jourdan, Metalrax, Norank Systems, Pittard.

FUTURE DATES

Interims—	
A.B. Electronic Products	Mar 25
London and Strathclyde Trust	Mar 17
Finals—	
Bestwood	Mar 21
Cliffords Dairies	Mar 25
ORG	Mar 19
Derwent Valley	Mar 27
Exco International	Mar 21
Garfunkels Restaurants	Mar 21
HB Electronic Components	Mar 25
Reckitt and Colman	Apr 3

FINANCIAL TIMES STOCK INDICES

	Mar. 14	Mar. 13	Mar. 12	Mar. 11	Mar. 10	Mar. 7	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Government Secs	88.87	86.45	86.66	86.92	87.75	85.88	88.92	78.02	127.4	49.18
Fixed Interest	98.90	96.87	96.21	92.52	91.46	91.10	83.31	88.17	150.4	50.53
Ordinary	1360.7	1350.6	1350.7	1326.8	1305.6	1308.8	1360.7	911.0	1360.7	49.4
Gold Mines	319.7	381.6	322.2	322.6	336.4	333.6	636.6	987.9	734.7	43.5
FT-Act All Share	781.05	786.88	790.28	778.85	785.12	788.17	791.05	591.88	791.05	61.98
FT-SE100	1624.4	1615.7	1624.5	1597.1	1673.8	1573.8	1624.5	1206.1	1624.5	986.8

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—

BOARD MEETINGS—

TOMORROW

COMPANY MEETINGS—
Baldwin (H. J.), 67, Westow Street, Upper Norwood, S.E., 2.00

Domino Printing Sciences, Garden House Hotel, Cambridge, 2.30
East Anglian Water, 163, High Street, Lowestoft, 3.00
Evode Group, Tillington Hall Hotel, Eccleshall Road, Stafford, 12.00
Investors Capital Trust, 1, Charlotte Square, Edinburgh, 2.30
River & Mercantile Trust, Bonnington Hotel, 92, Southampton Row, WC, 12.00
Spafax Television Hldgs, Cheney Court, Ditteridge, Box, Wiltshire, 11.00
BOARD MEETINGS—
Finals:
Banro Inds

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
§160	F.P.	—	194	168	✠BPP Hldgs. 10p	194	+2	R5.0	2.2	3.7	17.2
‡‡	F.P.	—	136	130	Chillington Corp	130	......	—	—	—	—
‡‡	F.P.	—	68	65	Do. Defd.	68	......	—	—	—	—
165	F.P.	—	195	188	Gold Greenlees T. 5p	188	......	R2.9	5.2	2.2	21.0
§105	F.P.	—	165	140	Jarvis Porter 10p	140	−8	R3.3	2.6	3.4	16.5
105	F.P.	14/6	146	112	Macro 4 5p	138	+2	R1.0	6.5	1.0	21.2
§120	F.P.	—	140	134	✠Menvier-Swain 5p	136	−1	R2.8	3.5	2.8	15.2
§127	F.P.	7/3	140	125	✠Microsystems 10p	140	......	R1.78	4.5	1.8	17.3
§146	F.P.	4/4	177	155	PPL 10p	155	......	u2.5	6.0	2.3	10.2
‖‖	F.P.	—	900	800	Rodime 5p	800		—	—	—	7.2
§80	F.P.	4/4	94	88	✠Spice 5p	94	+3	u2.6	2.2	4.3	12.6
††	F.P.	67/8	25	7	Telfos Warrants	26		—	—	—	—
216	F.P.	1/5	228	215	Templeton Galbraith	228	+1	Q5.37c	2.5	1.9	25.3
100	F.P.	27/3	106	95	Throgmorton USM	102		—	—	—	—
120	F.P.	24/5	218	156	Wellcome	216	+13	u2.08	2.8	1.4	28.0
—	F.P.	—	25	5	Westland Warrants	25		—	—	—	—
140	F.P.	7/3	157	140	✠Wickes 40p	156	......	R2.0	4.7	1.6	16.8

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or −
88.855	£30	25/4	36¼	30½	American Medical Intl. 8⅝% Uns.Ln.2011	34¾	−¼
§98.287	£25	16/5	34	25⅛	Centrovincial Ests. 11⅛% 1st Mort Db.2016	34	+⅛
‡‡	F.P.	—	118p	110p	Chillington 9½% Cum. Red. Pref.	112p	......
‡‡	F.P.	—	125p	128p	Cavenish (J.A.) 4.5% Cnv 2nd. Pref.	105p	......
—	F.P.	27/4	110p	105p	✠Electron-H'se 6½% Cnv. Cum Red Prf	108p	......
§99.11	F.P.	10/4	106	99¼	Hampton Tst. 11⅝% 1st. Mort. Deb. 2025	106	......
94.917	£30	8/5	34	19⅞	Inter-Am Dev Bk 9⅞% Uns Ln 2016	33⅛	+⅜
‖	Nil	26/4	118p	107p	Lawrence (W.) 6.5% Cnv.Cum.Red.Pref.	118p	+1
98.977	F.P.	10/3	107½	99	Mecca Leisure 11½% Deb. 2011	107⅛	......
—	F.P.	—	100⅛	100¼	Nationwide Bldg. Soc. 12⅞% 2/3/87	100⅞	......
‡‡	F.P.	4/4	164p	140p	✠Parkfield 7% Cum. Cnv. Prf. 2005	162p	−2
‖	Nil	18/4	5ppm	5ppm	Porter Chad. 8% Cnv.Cum.Red.Prf. '95	5ppm	......
§97.955	£25	30/4	36	35½	Samuel Props. 11% 1st. Mort.Deb.2016	34½	......
§99.486	£25	—	24⅞	24¾	S.E. 10⅛% Mort. Deb. 2016	24⅛	......
‖	F.P.	—	117	130	Westland 7½% Cnv. Cum. Prf.	110	+4

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing Price	+ or −
200	Nil	—	75pm	35pm	Cullens Hldgs. 10p	75pm	......
18½	Nil	11/4	3½pm	1pm	Dares Ests. 5p	3½pm	+1¼
330	F.P.	9/4	410pm	380pm	✠High Point Services 10p	410pm	......
265	Nil	30/4	45pm	35pm	KLP 5p	45pm	......
70	Nil	7/4	11pm	6pm	Kent (J.) 5p	7pm	......
220	Nil	24/4	85pm	58pm	✠N.M.W. Computers	85pm	+8
115	F.P.	25/4	144pm	130pm	Wates (City of London)	143	......
60	F.P.	—	85	83	Westland	77	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ▓ Allotment price. ✠ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). †† Units comprising two ordinary, one preference and one warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Assoc British Ports	Apr 3	Final 5.5
*BAT Industs	Mar 25	Final 6.25
*BICC	Mar 26	Final 7.04
*BPCC	Apr 17	Final 5.6
*BSG Intl	Apr 2	Final 0.65
*Babcock Intl	Mar 26	Final 4.3
*Barratt Developments	Mar 20	Interim 2.31
Beazer (C. M.)	Mar 26	Interim 4.0
*Bestobell	Mar 21	Final nil
Booker McConnell	Mar 26	Final 6.25
*Bowater	Apr 16	Final 5.0
Brammer	Apr 2	Final 7.5
*Brent Chems	Mar 24	Final 2.75
Bridon	Mar 26	Final 2.8
Britannia Arrow	Mar 27	Final 1.4
British Aerospace	Mar 20	Final 8.4
British Car Auction	Mar 20	Interim 1.25
Britoil	Mar 21	Final 8.2
Brixton Estate	Apr 17	Final 3.05
Brown Boveri Kent	Mar 27	Final 1.5
*Bunzl	Apr 2	Final 4.25
Burmah Oil	Apr 11	Final 7.25
Burton	Mar 27	Interim 2.5
Coates Bros	Apr 2	Final 2.2
Combined Eng Stores	Mar 25	Final 2.94
*Cookson	Apr 10	Final 8.25
Croda Intl	Mar 26	Final 4.0
*DRG	Mar 19	Final 4.5
*Delta	Mar 21	Final 2.68
Eastern Produce	Apr 2	Final 7.5
*Enterprise Oil	Mar 24	Final 5.6
Elam	Apr 17	Final 2.1
Evered	Apr 2	Final 1.2
*Exco Intl	Mar 21	Final 4.75
*Expamet Intl	Mar 18	Final 3.0
Glaxo	Apr 15	Interim 6.6
Glynwed Intl	Apr 3	Final 6.6
*Guardian Royal Exchange	Apr 2	Final 17.5
Hall (Matthew)	Apr 17	Final 8.525
Hammerson Prop	Apr 19	Final 6.5
Harris Queensway	Apr 18	Final 2.75
Hawker Siddeley	Apr 12	Final 7.7
*Hepworth Ceramic	Mar 19	Final 4.6
Hepworth (J.)	Apr 16	Interim 1.0
*Hickson Intl	Mar 24	Final 16.0
Higgs and Hill	Apr 3	Final 7.8
Home Charm	Mar 26	Final 1.75
Horizon Travel	Mar 19	Final 3.52
*IML	Mar 24	Final 2.5
*Ibstock Johnsen	Apr 3	Final 5.5
*Kwik Save	Apr 18	Interim 1.4
Laporte Inds	Apr 18	Final 5.55
Laird	Mar 29	Final 3.2
*Legal and General	Mar 20	Final 14.0
*Lasmo	Mar 25	Final 7.7
Low (Wm)	Apr 18	Interim 4.0
*Lucas Inds	Mar 26	Interim 2.6
*Metal Closures	Mar 26	Final 4.5
NEI	Apr 17	Final 3.6
Ocean Transport	Mar 27	Final 3.35
*Octopus Publishing	Mar 20	Final 7.2
*Paterson Zochonis	Mar 18	Interim 1.65
Pentland	Apr 15	Final 2.1
Pearson	Apr 2	Final 11.6
P & O	Mar 26	Final due
*Prudential	Mar 25	Final 15.6
RMC	Apr 17	Final 8.6
*Reckitt and Colman	Apr 3	Final 8.8
Rio Tinto Zinc	Apr 17	Final 12.5
Rockware	Mar 21	Final nil
*Rugby Portland Cement	Apr 7	Final 3.3
*Slough Ests	Apr 1	Final 2.6
Smiths Inds	Apr 10	Interim 1.6
*Smith and Nephew	Mar 20	Final 3.15
Staffs Potts	Mar 20	Interim 1.0
Standard Chartered	Mar 20	Final 16.0
*Steetley	Mar 24	Final 7.5
*Stockley	Mar 18	Final due
*Sun Alliance	Apr 2	Final 3.75
*Suter	Mar 17	Final 2.3
Taylor Woodrow	Apr 16	Final 11.0
Travis and Arnold	Apr 18	Final 5.87
*Tricentrol	Mar 20	Final 6.0
*Turner and Newall	Mar 20	Final 1.5
*United Newspapers	Mar 20	Final 8.6
Ward White	Apr 18	Final 4.0
*Weir	Apr 3	Final 2.125
Willis Faber	Mar 20	Final 8.5
Woolworth	Mar 28	Final due

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

CONSTRUCTION

North Sea production deck order

PRESS OFFSHORE, Tyneside, has been awarded a contract to build the main production deck for the Conoco operated "V" fields project in the southern UK sector of the North Sea. The award was made following government approval for Conoco (UK) and its partners to proceed with the development of three new gas fields—Vulcan, Vanguard and South Valiant—together with a major new gas gathering system.

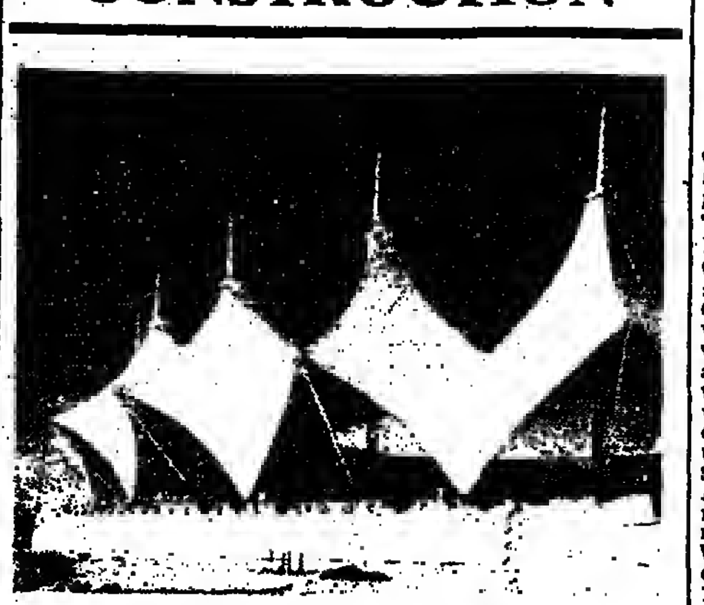
The Press Offshore contract is worth about £13m and the production deck will be constructed at the company's Howdon Yard at Wallsend, Newcastle. The deck is an integrated structure of about 4,000 tonnes and includes a 54 metre high vent stack which will be installed before the deck leaves the yard.

The new contract will both secure existing jobs at Press Offshore and provide additional employment. At peak periods, more than 300 men will be working on the production deck. Work will begin immediately and is scheduled to continue over two years.

*

An £8.6m design-and-construct contract for a dry goods distribution centre for Tesco Stores has been awarded to JOHN MOWLEM & CO. to be built on the site of Mowlem's former plant depot at Welham Green, near Hatfield. It will consist of a 250,000 sq ft warehouse with 42 loading bays. Of steel-framed construction with profiled metal sheet cladding, the whole of the floor will be at loading bay level rather than ground level and a three-storey block will be incorporated at the front of the warehouse. The work also comprises trailer and carparking facilities and access roads. Work has started for completion in October.

ALFRED McALPINE has been awarded a contract worth over £2.2m by the Metropolitan Borough of the Wirral for sea defence work at Wallasey. It involves demolition of about 37,000 sq metres of existing embankment facing, its reconstruction using both in situ concrete slabbing and precast concrete wave dissipation units.



Desert stadium opens soon near Riyadh

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

SAUDI ARABIA'S £450m King Fahd International Stadium in the desert outside Riyadh, shaped like a Bedouin tent and the height of a 20-storey building, is scheduled to open this summer.

The Olympic-sized stadium—which will seat 66,150 people—has the largest free-span, cable-tensioned architectural fabric roof structure in the world.

It will house international athletic events, and team games such as soccer, rugby and hockey, played on an automatically irrigated natural turf pitch in view of a Royal Box and sumptuously finished pavilion for 749 members of the Saudi Royal family and their entourage.

The stadium was designed by architects Ian Fraser, John Roberts and Partners and built by the UK's Bovis International and the West German Philipp Holzmann.

The computer design of the roof was carried out by New York consultants Geiger Berger and Associates, and the specialist roofing work was carried out by the US Chemical Fabrics Corporation—Birdair Structures.

The roof is made of 48 outer and 48 inner panels of a 1mm thick Teflon-coated glass-fibre, fabric, already used for simpler-shaped and smaller sports stadia in the US, but never before in a structure of this size and complexity.

"But there was no problem building the structure," said Mr Ian Fraser of Ian Fraser, John Roberts and Partners. "We wanted a shape that would give us the feeling of a Bedouin tent and this fabric gave us the solution.

The entire structure was designed and tested using first computer simulations and then a wind tunnel to replicate the savage desert winds which meant that all the roof panels had to be lifted early in the morning — between 4 am and 5 am — before the wind started to rise.

The fabric roof provides shade for spectators, and allows natural air movement so that the temperature inside the stadium is 15 degrees C lower than the outside.

When finished, the stadium will have taken three-and-a-half years to build.

The total cost of £450m will have meant direct exports worth £100m to the UK — but Mr Mohammed Al Yahya, of the sponsoring ministry, the General Presidency of Youth Welfare, suggested that the current economic climate could make it difficult to contemplate more projects on this scale.

First services on M25

Work starts today on construction of the first passenger service area on London's orbital M25 motorway at Junction 23, the A1(M) interchange at South Mimms, Herts, under a £6m design-and-construct contract awarded to KYLE STEWART.

The 18-acre site will feature a 4,000 sq metres amenities building, which includes a 450-seat "Welcome Break" self-service restaurant, a fast-food bar and a takeaway food bar; shops and an executive office suite for travelling businessmen. Developers are Imperial Leisure and Retailing, a subsidiary of the Imperial Group, and BP Oil as a joint venture.

Included in the project are a landscaped picnic area, tourist information centre, a 19-pump petrol station, and parking space for 700 cars and 35 coaches.

Construction of the petrol station will be completed later this year, and the amenities building will be completed in the spring of 1987. When fully operational in August 1987, the service areas is expected to provide 250 jobs, with staff to be recruited locally.

To the Holders of
WARRANTS
to subscribe for shares of common stock of

SUMITOMO REALTY & DEVELOPMENT CO., LTD.

(Issued in conjunction with an issue by Sumitomo Realty & Development Co., Ltd. (the "Company") of U.S.$40,000,000 8% Guaranteed Bonds Due 1989)

NOTICE OF FREE DISTRIBUTION OF SHARES
AND
ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4(A) and (B) of the Instrument dated December 19, 1984 under which the above described Warrants were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.1 share for each 1 share held will be made to shareholders of record as of March 31, 1986.

As a result of such distribution, the Subscription Price at which Shares are issuable upon excercise of said Warrant will be adjusted pursuant to Condition 7 of the Warrants from 521.30 Japanese Yen per share to 473.90 Japanese Yen per share effective April 1, 1986.

SUMITOMO REALTY & DEVELOPMENT CO., LTD.

Dated: March 17, 1986

17th March, 1986

Notice of Annual General Meeting of Shareholders

JB∞B

DOLLAR-BAER

Julius Baer U.S. Dollar Bond Fund Ltd.

(A company incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN of the Annual General Meeting to be held at Julius Baer Bank and Trust Company Ltd., Butterfield House, Grand Cayman, on the 2nd day of April, 1986 at 10 a.m. for the following purposes:

1. To receive and consider and, if thought fit, adopt the accounts presented by the Directors for the year ended 31st December, 1985 and the reports of the Directors and Auditors.

2. To ratify the acts of Directors.

3. To appoint Auditors and authorize the Directors to fix the Auditors' remuneration.

By order of the Board Dollar-Baer, Julius Baer U.S. Dollar Bond Fund Ltd., P.O. Box 1100, Grand Cayman, Cayman Islands.

A shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a shareholder. Exercise of these rights in respect of bearer shares will be recognized only on presentation at the meeting of the bearer certificate or satisfactory evidence of the holding. Such evidence may be obtained by depositing the certificate with the Agent listed below against written receipt, which must be produced at the meeting. Any instrument of proxy should be delivered to the Agent not less than two business days prior to the date of the Meeting.

Copies of the Annual Report including Audited Accounts are available for inspection and may be obtained at the registered office of the Company and from the Agent listed below.

Secretary and Registrar:
Julius Baer Bank and Trust Company Ltd.
Butterfield House
P.O. Box 1100, Grand Cayman

Agent:
Bank Julius Baer & Co. Ltd.
Bahnhofstrasse 36, 8022 Zurich
Switzerland

The week's business in Parliament

TODAY

Commons: Progress on remaining stages of the Gas Bill.

Lords: Museum of London Bill, Third Reading. Latent Damage Bill, Second Reading. Local Government (Temporary Provisions) (Northern Ireland) Order 1986. Motion for approval. Unstarred question on whether the Government approves of the closed shop in the sale of overseas holidays where this cannot be provided exclusively for the benefit of the consumer.

Select Committee: Public Accounts — Subject: International collaborative projects; major projects statements 1984. Witness: Mr P. K. Levene, Chief of Defence Procurement (Room 16, 4.45 pm).

TOMORROW

Commons: Budget statement. Motion on the Housing Support Grant (Scotland) Variation (No 2) Order. Debate on a motion on the second report of the Privileges Committee 1984-85. Opposed Private business at 7 pm.

Lords: Marriage (Wales) Bill, Third Reading. Law Reform (Parent and Child) (Scotland) Bill, Committee. Local Government Bill, Third Reading. Motions on legal aid, advice and assistance orders.

WEDNESDAY

Commons: Budget debate.

Lords: Debate on the needs of voluntary organisations following the abolition of the GLC and metropolitan authorities. Unstarred question on promotion of employee involvement.

Select Committees: Armed Force Bill—Subject: To be announced (Room 17, 10.45 am). Defence—Subject: Defence implications of the future of Westland Plc. Witness: William Paul, President and Chief Executive, United Technologies Corporation (Room 15, 10.45 am). Trade and Industry—Subject: Westland Plc. Witnesses: British Aerospace representatives: Mr A. E. Bristow (Room 16, 10.45 am). Energy—Subject: Coal Industry. Witnesses: Lord Marshall of Goring and officials from the CEGB (Room 8 11 am). Social Services—Subject: Prison medical services. Witness: DHSS officials (Room 21, 4.15 pm). Transport—Subject: Financing of rail services. Witness: Department of Transport officials (Room 17, 4.15 pm). Trade and Industry—Subject: Westland Plc. Witness: Rt Hon Paul Channon, MP, Trade and Industry Secretary (Room 15, 4.45 pm).

THURSDAY

Commons: Budget debate.

Lords: Peterhead Harbours (South Bay Development) Order Confirmation Bill, Report. Appropriation (Northern Ireland) Order 1986, Motion for approval. Human Rights and Fundamental Freedoms Bill, Committee. Industrial Training Bill, Second Reading. Museums and Galleries (Prohibition of Admission Charges) Bill, Committee.

FRIDAY

Commons: Private members motions.

NOTICE TO HOLDERS OF

MITSUI REAL ESTATE DEVELOPMENT CO., LTD.

(Mitsui Fudosan Kabushiki Kaisha)
6 Per Cent Convertible Bonds Due 1992
and
7⅞ Per Cent Convertible Bonds Due 1996

Pursuant to Clause 7(B) and (C) of the Trust Deed dated 21st September, 1977 and pursuant to Clause 7(B) and (C) of the Trust Deed dated 15th December, 1980 under which the above Bonds were issued, notice is hereby given as follows:

1. On March 12, 1986 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of March 31, 1986 in Japan, at the rate of 5 new shares for each 100 shares held.

2. Accordingly, the conversion price of the Bonds will be adjusted effective as of April 1, 1986, Japan Time, as follows:
(A) 6 per cent Convertible Bonds due 1992
Before Adjustment: Yen 401.30
After Adjustment: Yen 382.20
(B) 7⅞ per cent Convertible Bonds due 1996
Before Adjustment: Yen 470.50
After Adjustment: Yen 448.10

MITSUI REAL ESTATE DEVELOPMENT CO., LTD.
By The Bank of Tokyo Trust Company *as Trustee*

Dated: March 17, 1986

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCK DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCK ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY, 17th MARCH 1986

PARTICULARS OF AN ISSUE OF £1,000,000,000

9 per cent CONVERSION STOCK, 2000

SCHEDULE OF PAYMENTS:

Amount paid on issue	£25.00 per cent
Amount payable on Monday, 12th May 1986	£25.00 per cent
Amount payable on Monday, 16th June 1986	£46.25 per cent

INTEREST PAYABLE HALF-YEARLY ON 3RD MARCH AND 3RD SEPTEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List

The whole of the Stock has been issued to the Bank of England on 14th March 1986 at a price of £96.25 per cent. The amount paid on issue was £25.00 per cent, the amount payable on 12th May 1986 will be £25.00 per cent and the amount payable on 16th June 1986 will be £46.25 per cent. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom. The Stock will be repaid at par on 3rd March 2000.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 3rd March and 3rd September. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 3rd September 1986 at the rate of £2.7742 per £100 of the Stock.

Stock of this issue and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

Further, the interest payable on Stock of this issue will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue.

These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident, or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Until payment in full has been made and a completed registration form submitted to the Bank of England, the Stock will be represented by letters of allotment.

Payment in full may be made at any time prior to 16th June 1986 but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London EC4M 9AA on any date not later than 12th June 1986. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any payment is overdue).

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the final instalment is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 16th June 1986.

Until the close of business on 30th July 1986, Stock issued in accordance with this prospectus will be known as 9 per cent Conversion Stock, 2000 "A". The interest due on 3rd September 1986 will be paid separately on holdings of the existing 9 per cent Conversion Stock, 2000 and on holdings of "A" Stock as at the close of business on 30th July 1986; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of holdings of existing Stock will not be applied to the payment of interest due on 3rd September 1986 on holdings of "A" Stock.

The last day for lodgement at the Bank of England of transfers for registration as "A" Stock will be 29th July 1986. After this date, for purposes of certification, the "A" Stock will not be distinguished from the existing 9 per cent Conversion Stock, 2000. From the opening of business on 31st July 1986, the "A" Stock will be amalgamated with the existing Stock.

Copies of this notice may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St Vincent Place, Glasgow G1 2EB; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast BT1 5BN; at Mullens & Co, 15 Moorgate, London EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
14th March 1986

WESTERN DEEP LEVELS LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 57/02349/06

R120 000 000 12 PER CENT UNSECURED DEBENTURES 1986-1993 OF R1 EACH
FIRST DRAWING FOR REDEMPTION OF R15 000 000 DEBENTURES ON JUNE 27 1986

Holders of the R120 000 000 12 per cent debentures 1986-1993 issued by the company are hereby notified that the first drawing of R15 000 000 of such debentures for redemption on June 27 1986 will be held during April. The registration date for the purpose of this drawing will be Friday, April 18 1986, and the debenture registers in Johannesburg and London will be closed from April 19 to May 2 1986 both days inclusive.

The Debenture Trust Deed requires that the debentures shall be drawn in lots of not more than R100 and take place during the month of April at the offices of the company in the presence of a representative both of the trustee and the company.

On April 28 1986 the company will serve notice on those holders whose debentures have been drawn for redemption, at their registered addresses, requiring them to deliver their certificates in respect of drawn debentures to the company's transfer secretaries in Johannesburg (or the United Kingdom as the case may be) by not later than Friday, June 20 1986 for cancellation. In respect of certificates surrendered by that date the company will on June 27 1986 post to the holders at their registered addresses cheques in payment of the nominal value of debentures redeemed plus interest to June 27 1986, provided that in the case of non-residents of the Rand monetary area, payment of the nominal value of redeemed debentures will be effected from Johannesburg in Financial Rand.

The nominal value of redeemed debentures due to such non-residents will be deposited to Financial Rand accounts in their respective names with authorised banks in the Republic of South Africa of their own choice, or failing any such nomination by a given date, with an authorised bank chosen by the company. The interest due to such non-residents will be paid direct to them in Commercial Rand at their registered addresses or in accordance with mandates given to the company.

In the event of only portion of a debenture holder's debentures being redeemed, the company will issue such holder with a new certificate for the balance of the debentures not redeemed.

OPTIONS ENTITLING EACH HOLDER THEREOF TO SUBSCRIBE FOR ONE ORDINARY SHARE OF R2 IN THE CAPITAL OF THE COMPANY AT A PRICE OF R60 PER SHARE

Holders of options to subscribe for a total of 2 000 000 ordinary shares in the capital of the company at R60 a share, exercisable between 1986 and 1990 inclusive, are advised that forms of application for the exercise of their options within the period May 29 to June 27 1986 will be posted to them at their registered addresses on or about Thursday, April 10 1986. Option holders wishing to exercise their options in whole or in part during this period must complete and return their forms to the company's transfer secretaries before June 27 1986, together with the relevant option certificates and subscription moneys. The latter may be tendered either in cash at R60.00 (South African currency) per ordinary share and/or in the form of such amount of debentures for redemption at par as will satisfy the amount due. Allotment of shares arising out of the exercise of options during the above period will be effected on or about June 27 1986.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: R. S. Edmunds
Divisional Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura,
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051,
Marshalltown 2107)

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Johannesburg
March 17 1986

Registered Office
44 Main Street
Johannesburg 2001
(P.O. Box 61587,
Marshalltown 2107)
London Office
40 Holborn Viaduct
London EC1P 1AJ

NOTICE OF REDEMPTION

To the Holders of

WESTPAC BANKING CORPORATION

12⅜% Subordinated Bonds due 1992

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed dated January 31, 1985, $1,000,000 principal amount of the above described Bonds has been selected for redemption on April 18, 1986 at a redemption price of 101% of the principal amount thereof, together with accrued interest to said date, as follows:

BONDS OF U.S. $5,000 EACH

34	1641	3288	4847	6470	7847	8614	10033	10875	11995	13174	14488	15836	17430	18925	19898
149	1826	3358	4879	6549	7969	8708	10191	10952	12133	13190	14531	15847	17521	19014	19936
264	1867	3377	5045	6875	8021	8879	10227	11051	12398	13202	14602	15974	17563	19098	19975
548	1904	3603	5053	6891	8051	8901	10250	11264	12439	13463	14669	16105	17791	19114	19988
622	2125	4047	5437	6897	8067	8982	10329	11349	12497	13651	14933	16201	17906	19477	19990
691	2374	4050	5693	6922	8074	9030	10337	11415	12501	13780	15048	16401	17908	19500	
722	2380	4072	5714	7129	8203	9315	10364	11434	12545	13800	15222	16458	17990	19533	
751	2484	4126	6021	7167	8222	9406	10436	11496	12769	13828	15307	16664	18027	19564	
769	2493	4207	6050	7241	8251	9503	10495	11625	12830	14062	15395	16714	18092	19628	
1091	2626	4214	6226	7467	8292	9572	10501	11661	12895	14079	15464	16962	18236	19634	
1322	2913	4308	6279	7508	8527	9864	10729	11677	12908	14084	15507	16968	18336	19645	
1389	3069	4493	6289	7514	8561	9928	10761	11730	13034	14334	15528	17068	18374	19721	
1590	3263	4805	6307	7625	8605	9991	10825	11847	13129	14393	15680	17230	18608	19796	

On April 18, 1986, the Bonds designated above will become due and payable as aforesaid in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts. The said Bonds will be paid, upon presentation and surrender thereof with coupons due January 31, 1987 and subsequent attached, at the option of the holders subject to applicable laws and regulations, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main) or London, or Kredietbank S.A. Luxembourgeoise in Luxembourg, or Swiss Bank Corporation in Basle. Payments at the offices referred to above will be made by a check drawn on, or by a transfer to, a United States dollar account maintained by the payee with a bank in New York City. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds if payees who are not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). *Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.*

On and after April 18, 1986 interest shall cease to accrue on the Bonds herein designated for redemption.

WESTPAC BANKING CORPORATION

Dated: March 17, 1986

NOTICE OF REDEMPTION

To the Holders of

International Bank for Reconstruction and Development

16% U.S. Dollar Notes of 1981, Due May 6, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of August 25, 1981 providing for the above Notes, said Notes aggregating $20,000,000 principal amount have been selected for redemption on May 6, 1986 at the redemption price of 100% of the principal amount thereof, together with accrued interest to said date, as follows:

Outstanding Notes of $5,000 each of prefix "V" bearing the distinctive numbers ending in any of the following two digits:

10 15 16 21 23 24 26 35 37 38 40 43 46 48 51 53 65 70 71 76 77 81 94 95 99

Payment will be made upon presentation and surrender of the above Notes with coupons due May 6, 1987 and subsequent coupons attached at the main offices of any of the following: **Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015;** Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London and Paris; Caisse d'Epargne de l'Etat in Luxembourg and Swiss Bank Corporation in Basle. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9 certifying under penalties of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

Coupons due May 6, 1986 should be detached and collected in the usual manner.

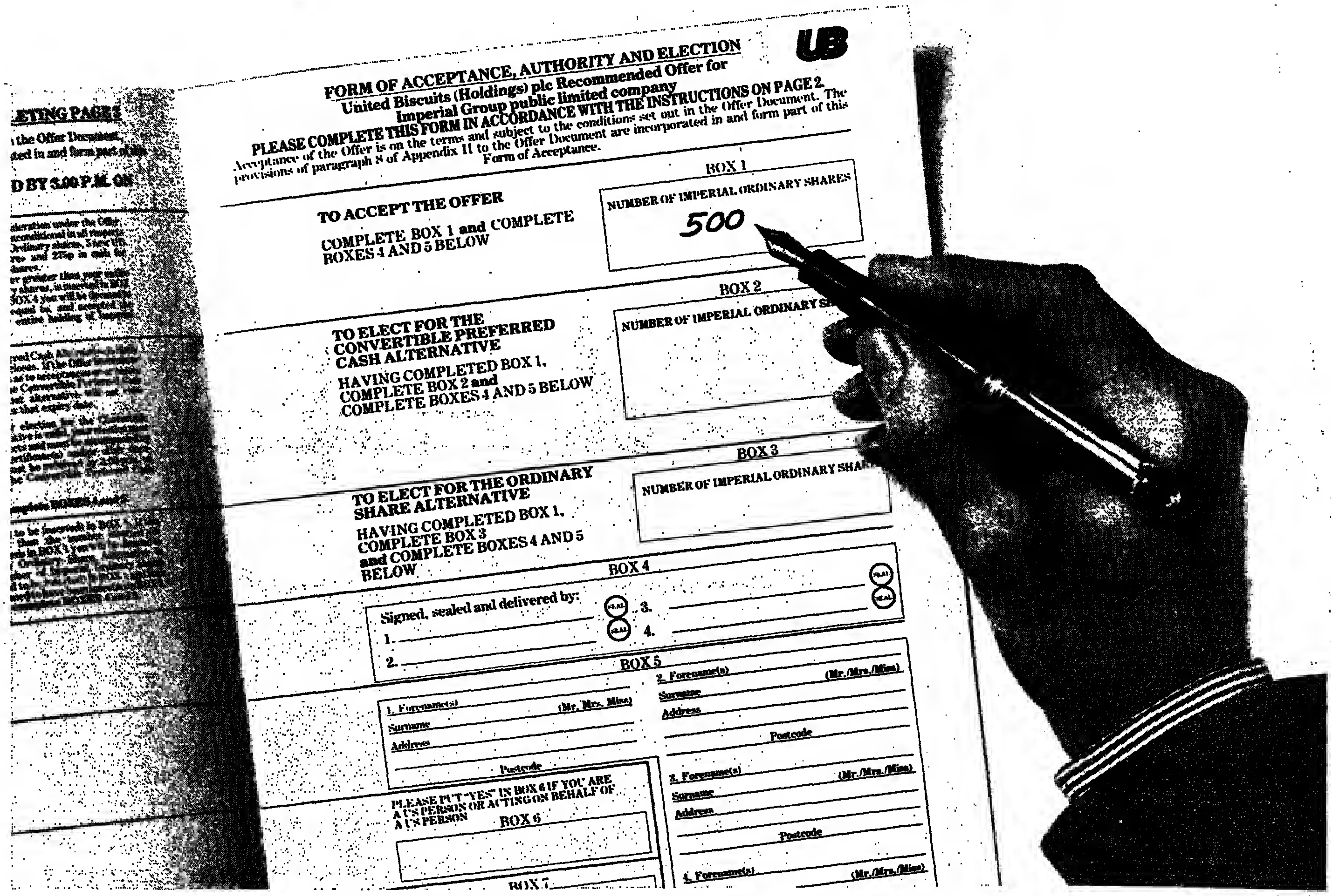
On and after May 6, 1986 interest shall cease to accrue on the Notes selected for redemption.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated: March 17, 1986

We, the Imperial Board, strongly recommend immediate acceptance of the United Biscuits offer.

(This is the form it should take.)



If you are an Imperial shareholder, the unanimous advice of your Board, fully supported by its financial advisers, Hambros Bank, is that you should accept the offer made by United Biscuits.

In order to do this you should complete the white United Biscuits acceptance form immediately. All forms should be returned by 3.00pm on Friday, 21st March 1986.

This is the way to "stay with Imperial."

By accepting the UB offer, you will help create a major new British group, United Imperial, which will ensure Imperial's businesses continue to prosper.

It is most important that every UB form of acceptance is despatched without delay. That is the best way of repelling the unwelcome Hanson bid.

If you need advice on how to complete the UB acceptance form, please telephone 0272-666961.

Famous brands doing famously.

IMPERIAL GROUP

The directors of Imperial Group plc (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed are fair and accurate. The directors accept responsibility accordingly.

INTERNATIONAL APPOINTMENTS

Citibank manager leaves for top post at Norwest

BY WILLIAM HALL IN NEW YORK

AN EXECUTIVE of Citibaok of New York, Mr Richard H Kovacevich, who is credited with turning ronod Citibank's unprofitable New York branch banking system, has left to bead the banking group of Norwest Corporation, the mid-Western banking group.

Mr Kovacevieb, aged 42, has been appointed operating officer of the banking group. In this role be will be responsible for overseeiog the more thao 70 local banks which are part of the Norwest empire.

Norwest, a $21hn financial services group based in Minneapolis, haa bad a chequered history over the last few years. Its earnings have been bit by problems on its fast-growing mortgage banking operatioos io 1984.

More recently it has been suffering from its heavy exposure to the hard-pressed farm sector. Last year, the group earned $107.6m, up from the depressed level of 1984 but Wall Street has remained concerned about the group's high loao loss provisions.

Early last year, the group hired Mr Lloyd P. Johnsoo, a vice-chairman of Security Pacific, to be chief executive.

A few months later, two of the group's three vice-chairmeo resigned because they had been passed over for the top job. At the time, Mr Johnson said he was seeking a single executive to run Norwest's banks.

Mr Kovacevich is no stranger to Minneapolis. He spent seven years there with General Mills before joining Citibank in 1975. Between 1982 and last September be headed Citibank's international consuoter oanking operations.

Following last year's reorgaoisatioo of Citicorp's top management team, Mr Richard Braddock was chosen to head Citicorp's consumer banking operations—a job which Mr Kovacevich is said to have wanted.

New Laly head bids for peace on Kosmos

By Fay Gjester in Oslo

A CHANGE of leadership bas been announced at Laly, the Norwegian shipping and investment company which has recently bad difficulty raising funds for its cootinuing near-$100m takeover battle for Kosmos, the shipping and industrial concern. Mr Wilhelm Blystad, one of two brotbers whose corporate raidiog activities have attracted moeh publicity in Norway, is being replaced as managing director by Mr Gunnar Bretvin.

Mr Bretvin—who has been described as a heavyweight on the Norwegiao finaneial scene—says he will try to end what he calls the war of attrition between Laly and Kosmos. Before he took over, the prolonged wrangle had pushed Laly's shares (par value NKr 50) to a record low of NKr 21. They have risen oo the oews of his appoiotment.

Mr Blystad is becoming Laly's board chairman, while the previous board chairman, Mr Morten Garman, will remain a board member and the company's legal adviser.

Capital group set up at Bank of Montreal

By Our Financial Staff

MR GEORGE E. NEAL has been appointed head of a capital markets group set up at the Bank of Mootreal.

The bank is coosolidating a number of capital market-related services into the new group, which comes into operation on April 1.

"Corporations and governments are seeking more effective access to global capital markets, spawoiog a range of new products and services," says Mr William D. Mulholland, the bank's chairman.

Mr Neal will be based in Toronto as an executive vice presideot and group executive. He was previously vice president and treasurer of the bank, which be joined in 1964.

He is succeeded in his previous posts by Mr Jeffrey S. Chisholm.

Chairman of Japanese economic federation

KEIDANREN, the Japanese federation of economic orgaoisations has announced that Mr Eishiro Saito, chairman of Nippon Steel Corporation, is to become its chairman on May 28, reports AP from Tokyo.

Mr Saito, 74, will succeed Mr Yoshihiro Inayama, who is to retire after serving for six years.

Chief economist post on New York Exchange

BY OUR FINANCIAL STAFF

MR ROGER M. KUBARYCH, a former official at the New York Federal Reserve Bank, and currently chief economist at the Conference Board, the US busioess research organisatioo, has been appointed senior vice president and chief economist at the New York Stock Exchange with effect from April 1. Mr Kubarych is 41.

* * *

GENERAL INSTRUMENT Corporation, the New York company with ioterests in electronics and related products, including cable television, bas reorganised its management structure aod aooouoced the following appointmeots:—

Mr Rein Narma executive vice president, corporate development; Mr George E. Saftol, executive vice president operations; Mr Christopher F. Sutphin, senior vice president, componeots group; Mr Stephen A. Davidsoo, corporate vice president, personnel aod organisation; aod Mr Roger L. Heffernao, corporate vice president, manufacturiog.

* * *

Chesebrough-Pond, the diversified US pharmaceuticals and food concern, has appointed Mr Robert Phillips to the new positions of president aod chief operating officer.

The move completes a senior management reorganisation of Chesebrough-Pond following the March 1985 acquisition of the Stauffer Chemical Company.

Mr Phillips joioed Chesebrough last May as executive vice president in charge of corporate development aod was elected to the board in November.

Mr Ralph Ward remaios chairman aod chief executive officer.

* * *

INTERNATIONAL BUSINESS Machines, the world's largest maker of computer and information processing equipment, has appointed Mr C. B. Rogers, Jr, head of corporate service staffs aod a member of the company's maoagement committee.

Novo fills gap left by political appointment

By Our Financial Staff

NOVO INDUSTRI, the Danish pharmaceuticals prodoeer, has brought back Mr Erik Sorenson to the role of vice president of marketiog in the enzymes division, on an interim basis.

This follows the appointment of Mr Henning B. Dyremose, who held this position, as Secretary of Labor Affairs for Denmark, and his consequent resignation from Novo.

Mr Dyremose was responsible for the co-ordination of Novo's worldwide enzymes marketing activities and reported to Mr Sorensen, executive vice president of the enzymes division.

Mr Sorensen was formerly vice president of marketing for the enzymes division and will for a time take on these activities, in addition to those he holds as the executive vice president of the enzymes division.

Goodman head in Watties chair

BY DAI HAYWARD IN WELLINGTON

MR PAT GOODMAN, head of the Goodman Group, New Zealand's banking and investment conglomerate, has been appointed chairman of Watties Industries, the major food processing company, of which Goodman owns 24 per cent.

Mr Goodman, previously deputy chairman of Watties and a director since 1972, succeeds Mr Wilfe Morris, chairman for the past five years, who retires under a mandatory retirement age.

UK APPOINTMENTS

New chief for CIS Insurance

Mr Alan Sneddon, general manager and actuary (life) at CO-OPERATIVE INSURANCE SOCIETY, has been appointed chief general manager designate and will succeed Mr Arthur Duval on his retirement next year. Mr Sneddon joined the Society in 1961 and has been general manager in charge of the Society's life business since 1979.

*

FOOTE CONE & BELDING (ADVERTISING) has appointed Mr Robert Baillo and Mr Roger Heathcote as vice chairmen. Both are currently board account directors.

*

NEWSPAPER PUBLISHING, a company which in October will be launching a newspaper, The Independent, has appointed two non-executive directors. They are: Mr Ian Hay Davison, formerly deputy chairman and chief executive of Lloyd's, and Mr George Duncan, chairman of Lloyds Bowmaker Finance and a director of Lloyds Bank, BET and TR City of London.

*

BRONX ENGINEERING HOLDINGS has appointed Mr T. S. Kelleher, chairman of Versoo International Group, as a non-executive director.

*

Sir Peter Hordern has been appointed chairman of F & C ALLIANCE INVESTMENT. Mr D. A. H. Baer has retired from the chairmanship but will continue as a director.

*

Mr John Mayfield has joined SHIPPAMS as sales and marketing director. He was with United Biscuits snacks division as head of trade marketing.

*

Mr R. J. Ward has been appointed director — market development of the CEMENT AND CONCRETE ASSOCIATION. He joined last August.

*

BRITANNIA OKASAN INTERNATIONAL INVESTMENT MANAGEMENT has appointed Mr D. S. R. Flooing as managing director. He remains a director of Britannia Asset Management.

*

Mr E. L. Palmer has been appointed a director of ROYAL INSURANCE. He is chairman of the wholly-owned US subsidiary, Royal Group Inc.

Mr Robert Topple has been appointed chairman of LESLIE & GODWIN (UK). He is also chairman of Leslie & Godwin, and Frank B. Hall (Holdings). Mr Antony A. N. Fincent and Mr Christopher J. N. Robinson have been appointed directors of Leslie & Godwin (UK).

*

From April 1 J. DAY & CO (DERBY WORKS) is reorganising its group board. Mr Sidney Day remains group chairman, Mr E. W. Tandy, group managing director becomes deputy chairman, and Mr Jeffrey Day deputy managing director becomes group managing director and chief executive. Mr Roy Dowsett is appointed to the new post of group financial director. The boards of the subsidiary companies, Davu Wire & Cables, Braidex, and Dallex, are also changed with Mr Sidney Day and Mr Tandy becoming joint chairman and Mr Jeffrey Day succeeding Mr Tandy as deputy chairman in all the companies.

*

STC has appointed Lord Rawlinson of Ewell to the board.

*

Mr Graham C. Greene has been appointed chairman of THE GREAT BRITAIN — CHINA CENTRE in succession to Sir Denis Hamilton.

*

ISTEL has appointed Mr Alastair McGill as general manager of its motor trades group. He joined Istel in 1985, and was previously distribution and systems director of Texas Homecare.

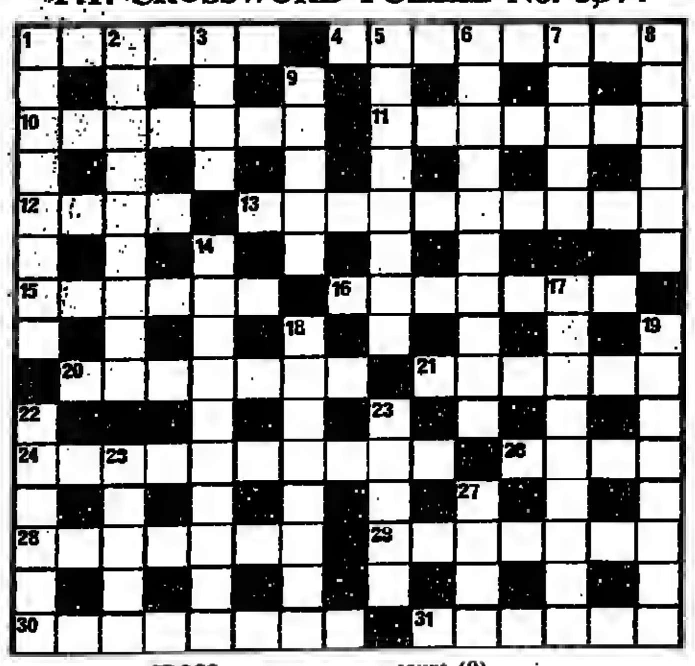
*

Mr James Millen has been appointed to the board of THE EXTEL CONSULTANCY. He is a director of the financial public relations division of the company.

*

Mr Bruno Meier, senior vice-president of UNION BANK OF SWITZERLAND, will become chief executive of the London branch on April 2. He succeeds Mr Ernst Tangemann who has been with the branch since its establishment in 1967.

F.T. CROSSWORD PUZZLE No. 5,974



ACROSS

1 Dimiuish value of child-bearing (6)
4 Trying hard to bind half-a-dozen with cord (8)
10 I'd eat no differently though trying to lose weight (2, 1, 4)
11 Take over from a king and two biblical characters (7)
12 Either way it was of some worth in India (4)
13 Casts bread out, gets ham instead! (3, 7)
15 Knocked down in rude fashion (6)
16 Crusoe's disguised tracks (7)
20 Romances that could be public business (7)
21 Kept out of Dorset (6)
24 A striking end to the game (5-5)
26 Mother, I'm seriously hurt! (4)
28 One needs pluck to play it (7)
29 A flash of brilliance (7)
30 It's a tree used in a composition (8)
31 Has it a piercing eye? Just the opposite (6)

DOWN

1 Dilatory sort of hero-worship (8)
2 Simple enough difference of opinion, but he goes to court (9)
3 I make an offer in place of a previous quotation (4)
5 Seasoning in an arrogant form (8)
6 It's no good to repeal to the ignorant (10)
7 Ireland loses territory to the North-East in the name of peace (5)
8 Agrees to change gun ammunition (6)
9 Traditionally it is applied to the back parts (5)
14 Freedom from care for a body of men (10)
17 Presented with a cauliflower? How distinguished! (9)
18 Superior lady with unmarried sisters in her care (8)
19 A bed made badly by George Eliot (4, 4)
22 Come to a hill (6)
23 They secure the normal shipping rates (5)
25 Armistice for brief uprising over the East (5)
27 A measure of concealment (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)

Pearl Trust Managers Ltd (a)(g)

Sun Alliance Fund Management Ltd

Sun Life Trust Mgmt. Ltd

Perpetual Unit Trust Mngmt. (a)

Prolific Unit Trusts

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

Providence Capitol Fd. Mgrs. Ltd

TSB Unit Trusts (b) (c) (y)

Provident Mutual Unit Trust Managers Ltd

Prudential Unit Trust Mngrs Ltd (a) (b) (c)

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Quilter Management Co Ltd

Reed Stenhouse Inv Services Ltd

Reliance Unit Mgrs. Ltd

N.M. Rothschild Asset Management

Touche, Remnant Unit Trust Mngt Ltd

Rowan Unit Trust Mngt. (a)

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. (c) (y)

Royal Life Fd. Mgmt. Ltd

Tyndall Managers Ltd(a)(b)(c)

Royal London Unit Tst Mgrs Ltd

Royal Trust Can. Fd. Mgt. Ltd

SKG Management Limited

Save & Prosper Group

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd (a) (c)

Schroder Unit Trust Managers Ltd

Waverley Asset Management Ltd (a) (c) (g)

WestAvon Unit Trust Managers Ltd(a)(c)

Whittingdale Unit Trust Managers

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

Scimitar Asset Management Ltd

Scottish Equitable Fund Mgrs. Ltd

Scottish Life Investments

Scottish Mutual Investment Managers Ltd

Scottish Provident Inv. Mgt. Ltd

Scottish Unit Managers

Scottish Widows' Fund Management

Sentinel Funds Mngmnt Ltd

Standard Life Trust Mgmt. Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co Ltd

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Chase de Vere Investments Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Assurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London & Manchester Group

London Indemnity & Gnl. Ins. Co Ltd

London Life

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Prolific Life Assurance Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Property Growth Pensions & Annuities Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Reliance Mutual

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	12.00	9.97	12.36	Mth
Over £10,000	12.25	9.16	13.64	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 5SE 0752 224141

High Int Chq Acc	12.56	9.39	13.90	Qtr

NOTES—Gross rate is those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers, compounded annual rate. Int Cr: frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp	27	Midland Bk	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect	15
Boots	24	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brit Oil & Min	3½
Hanson Tst	18	Brit Petroleum	45
Hawker Sidd	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Anglo-Dominion	30	—	—	—	—
—	Anglo Utd Dev	33	—	d1.05	♦	4.5
—	♥Colby Res Corp.	58	—	—	—	—
Aug. Feb.	Cons. Murch 10c	225	13.1	140c	3.9	‡
—	✠Emers Int Ir10c	31	—	—	—	—
—	Greenwich Res	97	—	—	—	—
Apr Oct	Hampton Areas 10p	123	23.12	3.75	0.9	4.1
—	♥Highwood Res.	230	—	—	—	—
Fb Jan Ag Nv	Homestake Mining $1	£17¾	30.1	020c	—	0.8
—	♥McFinley Red Lake	185	—	—	—	—
—	♥Musto Explorations	255	—	—	—	—
—	♥New Sabina Res C$1	42	—	—	—	—
—	Northgate C$1	225	9.71	—	—	—
Jan. July	OTZ	630	28.10	T20.0	2.8	4.5
Jan July	Do 9½pcLn '95-2000	£135	28.10	Q9½%	14.0	17.3
—	♥Tara Expln $1	925	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‖ Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♣ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- ◊ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B Fr. Belgian Francs. Fr. French Francs. ★★ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	104		Fin. 13% 97/02	£118¼	
Craig & Rose £1	£14		Arnotts	320	
Finlay Pkg 5p	47	+1	CPI Hldgs	57	
Holt (Jos) 25p	745		Carroll Inds	171	
IoM Stm £1	75		Dublin Gas	56	
			Hall (R & H)	77	
IRISH			Heiton Hldgs.	31	
Fund 11¼% 1988	£100		Irish Ropes	55	
Nat. 9¾% 84/89	£97½		Unidare	150xd	+5

"Recent Issues" and "Rights" Page 18
(International Edition Page 22)

Company Notices

GOLD FIELDS COAL LIMITED

(Registration No. 01/01124/06)

("Gold Fields Coal")

(formerly The Clydesdale (Transvaal) Collieries Limited)

MERGER OF APEX MINES LIMITED

(Registration No. 01/00751/06)

("Apex")

and

THE CLYDESDALE (TRANSVAAL) COLLIERIES LIMITED

("Clydesdale")

(All incorporated in the Republic of South Africa)

Approval of Merger/Allotment and Issue of Share Certificates

The terms of the merger of Apex and Clydesdale which were set out in a circular posted to shareholders on 11 February 1986 have been approved by the shareholders concerned and, where applicable, by the Court. Gold Fields Coal has allotted new shares for issue to the relevant registered shareholders of Apex in terms of the merger.

Surrender of Share Certificates

Explanatory circulars containing a Form of Surrender have been posted to the registered shareholders of the former Clydesdale and the registered shareholders of Apex. Shareholders should submit the completed Form of Surrender together with their share certificates to the Transfer Secretaries at the address shown on the Form of Surrender.

Fractional Entitlements

Fractions of shares in Gold Fields Coal to which shareholders of Apex are entitled have been aggregated and will be sold by Gold Fields Coal at the best price reasonably obtainable. Cheques in respect of the net proceeds of the sale of fractional entitlements will be available from 24 March 1986 to such shareholders.

Stock Exchange Listings

The listing of Apex shares on The Johannesburg Stock Exchange (JSE) ceased at the close of business on 14 March 1986. The listing of the new Gold Fields Coal shares on the JSE under the abbreviation "GF Coal" and on The Stock Exchange, London, commence on 17 March 1986.

17 March 1986

Following the DIVIDEND DECLARATION by the Company on 9 January 1986 NOTICE is now given that the following DISTRIBUTION will become payable on or after 17 March 1986.

Gross Distribution per Unit	3.50 cents
Less 15% USA Withholding Tax	0.525 cents
	2.975 cents
Converted at $1.465	=£0.020307167

Claims should be lodged with the DEPOSITARY; National Westminster Bank PLC, Stock Office Services. 20 Old Broad Street, London EC2, on special forms obtainable from that Office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the back of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

DATE: 7 March 1986

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting of Amer Group Ltd will be held at the Company's Head Office in Tuusula on Thursday, 3rd April 1986 at 2.00 pm

The Meeting will deal with the proposal of the Board of Directors that it shall be granted an authority for a period of one year to increase the share capital of the Company by means of a placing.

The Board of Directors decided at its Meeting on 25th February 1986 to propose that the Extraordinary General Meeting of 3rd April 1986 should empower the Board of Directors by virtue of Sec. 4:10 of the Companies Act to increase the share capital by an amount not exceeding FIM 32,000,000 and by way of issuing not more than 1,600,000 "A" shares with a nominal value of FIM 20 each and in all other respects on terms specified in the proposal of the Board of Directors. The shareholders' pre-emptive subscription right will be disapplied.

The proposal of the Board of Directors and the documents mentioned in Sec. 4:4.1 are available for shareholders' inspection from 26th March 1986 at the Company's Head Office which can be contacted by telephone on 358-0-255311/155, or by mail to Amer Group Ltd, PO Box 12, SF-04301, Hyrylä, Finland, not later than Tuesday, 1st April 1986. Shareholders who have not been entered in the share register must provide the Company at the same time with evidence of their title to their shares.

BOARD OF DIRECTORS

AMER GROUP LTD

Curaçao Depositary Receipts of

PIONEER ELECTRONIC CORPORATION

The undersigned, being the Agent of Caribbean Depositary Company N.V., announces that Pioneer Electronic Corporation has declared a cash dividend of Yen 12 per share for the financial year covering the period 1st October, 1984-30th September, 1985, which will be payable as from 18th March, 1986 at the office of the undersigned. This distribution, which has been converted into U.S. dollars pursuant to section 4 of the Deposit Agreement, will be available to holders of CDRs against surrender of coupon No. 26 less 20% Japanese withholding tax, to the effect that per CDR evidencing

5 Depositary Shares $2.68 ($2.84)
10 Depositary Shares $5.36 ($5.68)
and
100 Depositary Shares $53.60 ($56.80)
is paid

The amounts stated between brackets represent the dividend less 15% Japanese tax. These dividends will be paid until 2nd May, 1988 but only on condition that the coupons to be surrendered will be accompanied by an "Affidavit" (obtainable with the undersigned), evidencing that the beneficial holders of the CDRs are residents of a country which has concluded a Tax Treaty with Japan. In the Netherlands dividends will be paid to residents in Netherlands currency at the daily rate of exchange unless otherwise instructed.

Pierson, Heldring & Pierson N.V.
Amsterdam, 7 March, 1986

CITY OF BERGEN

7½% 1973/1991

FLux 500,000,000

On March 3, 1986, Bonds for the amount of FLUX 25,000,000 have been drawn in the presence of a Notary Public for redemption on April 10, 1986.

The following Bonds will be redeemable coupon due April 10, 1987 and following attached:
718 to 967 incl.
Amount outstanding:
FLUX 200,000,000.
Outstanding drawn Bonds:
3759 to 3892 incl.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg,
March 17, 1986.

CREDIT FONCIER DE FRANCE

US$350,000,000

Floating Rate Note due 1997

In accordance with the provisions of the notes, notice is hereby given that for the six months period from October 9 1985 to April 14 1986 the interest amount per US$10,000 to be paid on April 14 1986 is US$419.43 (interest on the notes is subject to a minimum interest rate of 5 per cent per annum).

PERUVIAN NATIONAL LOAN
6% External Sinking Fund Bonds 1928
(Second Series)

S. G. WARBURG & CO. LTD. announce that Bonds for the nominal amount of £30,500 have been drawn for the semi-annual redemption instalment due 1st April, 1986.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:—

£1,000 Bonds

8529	8530	8572	8662	8671	8681	8692	8703	8730	8739
8789	8782	8855	8864	8866	8878	8918	8919	8949	8960
8963	9037	9061	9074	9095	9099				

£500 Bonds

7423	7493	7660	7750	7914	8057	8225	8358	8508

On 1st April, 1986, assented Bonds will become payable at the new par value of £174 for each £100 nominal, together with accrued interest to said date at the office of:—

S. G. WARBURG & CO. LTD.
Bond Department, 33 King William Street,
London EC4R 9AS

Interest will cease to accrue on the Bonds called for redemption on and after 1st April, 1986, and Bonds presented for payment should have attached all Coupons maturing after that date.

£21,100 nominal Bonds will remain outstanding after 1st April, 1986.

The following Bonds drawn for redemption on the dates stated below have not yet been presented for payment:—

1st October, 1985								
£500 Bonds	7398	7450	7890	7873	8150	8476		
£1,000 Bonds	8688	8768	8853	8907	8877			
1st April, 1985								
£500 Bonds	7320	7342	7425	7764	8040	8081		
£1,000 Bonds	8672							
1st October, 1984								
£100 Bonds	2471	3793						
£500 Bonds	8184	8337						
1st April, 1984								
£100 Bonds	3057	3495	5804					
£500 Bond	8172							
1st October, 1983								
£100 Bonds	1780	2287	3277	6122	6214			
£500 Bond	7596							
1st April, 1983								
£100 Bonds	2237	3513	4315	5799	6545	6686		
£1,000 Bond	8638							
1st October, 1982								
£100 Bonds	1931	5523	5974					
1st April, 1982								
£100 Bonds	3424	4605						
£1,000 Bond	8761							
1st October, 1981								
£100 Bonds	2236	3432	4229	6081				
1st April, 1981								
£100 Bonds	10	1929	3729	4581	5826			
1st October, 1980								
£100 Bonds	3884	4314	4388	5975	6123	6489	6687	8881
£500 Bond	7503							
1st April, 1980								
£100 Bond	2733							
1st October, 1979								
£100 Bonds	3117	4624						
1st April, 1978								
£100 Bond	4830							
1st April, 1977								
£100 Bond	4316							
1st October, 1975								
£100 Bond	2734							

33 King William Street, London EC4R 9AS — 17th March, 1986

SOFTE—SOCIETE FINANCIERE POUR LES TELECOMMUNICATIONS ET L'ELECTRONIQUE S.A.

ECU 35,000,000 13% 1981/1987 GUARANTEED BONDS

On March 3, 1986, Bonds for the amount of ECU 1,000,000 have been drawn in the presence of a Notary Public for redemption on April 21, 1986.

The following Bonds will be redeemable coupon due April 21, 1987, attached:
24759 to 25010 incl.
25018 to 25550 incl.
25588 to 25628 incl.
25642 to 25650 incl.
25687 to 26352 incl.
Amount outstanding: ECU 28,000,000.
Outstanding drawn Bonds:
16055
16102
16106 and 16107
17982 to 17990 incl.
18005 to 18026 incl.
18238 to 18298 incl.
18305 to 18328 incl.
18359 to 18383 incl.
18391 to 18393 incl.
18408
18423 to 18425 incl.
18487 and 18488
18490 to 18492 incl.
18548 to 18550 incl.
18581 to 18599 incl.
18809 and 18810
18622 and 18623
18667 to 18671 incl.
18691 to 18698 incl.
18701 to 18705 incl.
18727 to 18738 incl.
18752
18848
18870 to 18679 incl.
19026 to 19030 incl.
19209 to 19214 incl.
19288

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg,
March 17, 1986.

BANQUE NATIONALE DE PARIS

US$ 300 million floating rate notes 1985/2005

The amount of interest for the interest period beginning on October 17 1985 and ending on April 17 1986 as fixed by the reference agent will be US$4,013.19 per US$100,000 notes, being a rate about 7.93817 per cent.

Legal Notices

IN THE MATTER OF HAMMOND BROS (TRANSPORT) LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 18th day of April, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned KEITH DAVID GOODMAN, FCA, of 30 Eastbourne Terrace, London W2 6LF the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 7th day of March 1986.
K. D. GOODMAN, Liquidator

No. 001008 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR JUSTICE HARMAN
IN THE MATTER OF CHEMRING GROUP PLC
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated the 3rd day of March 1986 confirming the cancellation of the share premium account of the above-named company from £12,838,683.60 to nil was registered by the Registrar of Companies on the 7th day of March 1986.

Dated this 12th day of March 1986.
SLAUGHTER AND MAY
(Ref: JHM/LIT/RLH),
35 Basinghall Street,
London EC2V 5DB.
Solicitors for the above-named Company

ROYTON ENGINEERING (LONDON) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985 that a Meeting of the creditors of the above-named Company will be held at the offices of LEONARD CURTIS & CO., 30 Eastbourne Terrace, London W2 6LF on Friday the 21st day of March 1986 at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.

Dated the 6th day of March, 1986.

Contracts and Tenders

KADUNA STATE AGRICULTURAL DEVELOPMENT PROJECT
No. 11 RACE COURSE ROAD
P.M.B. 2269, KADUNA, NIGERIA
INTERNATIONAL COMPETITIVE BIDDING—
IFB No. KDADP/1

This is for the information of all concerned that amendments have been made to the original Bid Documents. The amendments are being posted to those who have already purchased the Bid Documents. The revised Schedule of requirements is as follows:—

Category	Item	Description	Quantity	Delivery weeks
1	1	330 HP Crawler Tractor	5	120 days
	2	200 HP Crawler Tractor	4	120 days
	3	135 HP Motor Grader	4	120 days
	4	160 HP Motor Grader	4	120 days
	5	330 HP Motorised Scraper	11	120 days
	6	2.5-3 cu.m Front End Loader	2	120 days
2	1	8-10 Ton Vibratory Roller	7	120 days
3	1	8-10 Ton Truck Chassis Unit	8	170 days
	2	8-10 Ton Tipping Body	8	120 days
4	1	Low Loader Tractor	4	170 days
	2	50 Ton Low Loader Trailer	4	120 days
5	1	5000 Ltr Water Bowser	11	120 days
6	1	120 HP Agricultural Tractor	[illegible]	120 days
	2	6 Ton Trailer 2 WD	[illegible]	120 days
	3	Reversible Disc Plough with 4 disc (66-71 cm)	[illegible]	120 days
	4	Disc Harrow	[illegible]	120 days
7	1	50mm Water Pump Set (Petrol Engine)	1000	120 days
	2	75mm Water Pump Set (Petrol Engine)	600	120 days
	3	75mm Water Pump Set (Diesel Engine)	50	120 days
8	1	Pick Up Truck 2 WD	110	120 days
	2	Pick Up Truck 4 WD	24	120 days
	3	Station Wagon 4 WD	5	120 days
9	1	Motor Cycle 100-150cc	280	120 days

Eligible Parties which still wish to purchase the Bid Documents may do so by payment of N300.00 (in Nigeria only) or US$300.00 or equivalent of any freely convertible currency from either of the following.
(a) Chief Engineer, at the address given above. Phone: Nigeria 062 214293.
(b) FARA, 27 Dover Street, London W1X 3PA, U.K. Phone. U.K. 01-499 3629. Telex 296298 FARA G.

All concerned are further informed that the time and date of submission of Completed Bid Documents has been extended to 1200 hours, 30th April, 1986. The Bids will be opened at 1200 hours on 30th April, 1986.

Signed Programme Manager

TUNISIAN REPUBLIC
INTERNATIONAL TENDER FOR SALE
HOTEL HANNIBAL PALACE
PORT EL KANTAOUI

"La Société d'Etudes et de Développement de Sousse-Nord" intends to issue an international tender for the sale of the "HANNIBAL PALACE," a four-star luxury hotel in the seaside resort area of "Port El Kantaoui."

Upon publication of this notice, applicants can obtain specifications from the head office of the Company at Port El Kantaoui, against payment of 100 dinars.

Offers in triplicate, drawn up in Arabic, French or English, should be sent in a sealed envelope addressed to the PRESIDENT-DIRECTEUR GENERAL DE LA SOCIETE 4089, PORT EL KANTAOUI, TUNISIA, with the words "Appel d'offres international, Hannibal Palace, not to be opened before 31 March 1986" clearly marked.

Applications received after the closing date will not be accepted (date of postmark will be binding).

ISLAMIC REPUBLIC OF PAKISTAN
HYDERABAD WATER SUPPLY AND SEWERAGE PROJECT

TENDER FOR SUPPLY AND INSTALLATION OF RAW WATER AND SEWAGE PUMPING PLANT AND SEWER CLEANING EQUIPMENT

The Government of Pakistan has received a Special Funds Loan from the Asian Development Bank in the amount of US$22 million to finance the improvement and expansion of the water supply and sewerage system of Greater Hyderabad.

The Hyderabad Development Authority invites tenders for the supply and installation of pumping plant together with associated switchgear control panels, valves and pipework. Tenderers must be nationals of, and the articles must be produced in, member countries of the Asian Development Bank.

The contract will comprise any or all of the following:

STATION PI—5 No. pump sets each of 320 litre/sec capacity when two working together, together with control panels, suction and delivery valves and pipework.

STATION PIII—4 No. pump sets each of 285 litre/sec capacity when three working together, together with control panels, suction and delivery valves and pipework.

BARRAGE PS—2 No. pump sets each of 845 litre/sec capacity when working together with control panels, delivery valves, pipework and sewer cleaning equipment.

Tenders must be submitted on the prescribed forms which can be obtained from the office of the Authority's Consulting Engineer, G. Balfour & Sons, G.D. Box 1033, Latifabad, Hyderabad, Pakistan. Applications for the tender documents should be made by post or local representative, and must be accompanied by a non-refundable Bank Draft for Rs. 1,000/- (Pakistan Rupee one thousand only), from any scheduled bank of Pakistan, payable to the Project Director, Hyderabad Development Authority. Closing date for return of tender documents is 17 June 1986.

The Competent Authority reserves the right to reject any or all of the tenders without assigning any reason.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

INVITATION TO TENDER

Tenders are invited for the urgent supply of 8000 tonnes of soft wheat to Ethiopia for delivery on FOB stowed and trimmed terms to an EEC port. Loading shall commence no earlier than 7 April 1986 and no later than 21 April 1986 for 5 days.

The price for the supply and transportation costs of the soft wheat for the above tenders will be determined on examination of the tender which must be submitted by noon on 20 March 1986. To Branch B (Cereals), Internal Market Division, Intervention Board for Agricultural Produce, Fountain House, 2 Queen's Walk, Reading, Berks RG1 7QW. Tel: Reading (0734) 583626 Ext. 368.

Notices of invitation to tender together with tendering forms may also be obtained from the above address.

NATIONAL BANK OF HUNGARY

US$200,000,000

Floating Rate Notes due 2000

(Coupon No. 2)

Pursuant to note conditions, notice is hereby given that for the interest period from 17 March 1986 to 17 September 1986 an interest rate of 7 11/16% per annum will apply.

Amount per coupon US$392.92 payable on 17th September 1986.

Reference Agent:
The Long-Term Credit Bank of Japan Ltd
London Branch

Personal

SEATFINDERS — Tickets all "sold out" events inc. Rugby, Covent Garden, Theatres, Wimbledon. Tel: 01-828 1678.

Art Galleries

ALPINE GALLERY, 74, South Audley St., W1. ENGLISH WATERCP. PIRS. 1750-1850, including a collection of works by ERICH WOLFSFELD. 17-22 March 10-6: 10-9 Tues: 10-2 Sat.

AGNEW GALLERY, 43, Old Bond St., W1. 01-629 6176. MODERN BRITISH PAINTINGS, DRAWINGS AND PRINTS. Until 11 April. Mon.-Fri. 9.30-5.30; Thurs. until 6.30.

BROWSE & DARBY, 01-734 7984. THOMAS NEWBOLT paintings.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

FINANCIAL TIMES

PUBLISHED IN LONDON • FRANKFURT • NEW YORK

[illegible]

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

[illegible]

For Share Index and Business News Summary, Telephone 246 8026 (number preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
Meat Technology and Food Processing Exhibition — MEATEX (0423 61819) NEC, Birmingham (until March 19)

Harrogate Fashion Fair (01-637 2400) Exhibition Centre (until March 19)

Materials Testing Exhibition—MT 86 (07072 75641) (until March 20) NEC, Birmingham

March 18-21
International Handling & Storage Exhibition (0895 58431)

March 24-27 NEC, Birmingham
Information Technology and Office Automation Exhibition and Conference—INFO (01-647 1001) Olympia

March 25-27
Fashion Fabrics Exhibition — FASHION FABREX (01-385 1200) Olympia

April 2-4
London Book Fair (01-940 6065) Barbican Centre

April 3-9
British International Antiques Fair (021-780 4171) NEC, Birmingham

April 8-10
National Pub, Club and Leisure Show (01-222 9341) Olympia

April 8-10
International Helicopter Technology and Operations Conference and Exhibition (01-549 5831) Aberdeen

April 14-18
International Fire and Security Exhibition and Conference—IFSEC (01-446 8211) Olympia

April 15-17
National Welding Exhibition—NORTHWELD (0403 68747) Manchester

April 21-25
International Brewing, Bottling and Allied Trade Exhibition—BREWEX (021-705 6707) NEC, Birmingham

April 21-25
International Packaging Exhibition—PAKEX (021-705 6707) NEC, Birmingham

April 29-May 1
British Electronics Week (0799 26699) Olympia

May 11-14
Business to Business Exhibition (01-729 0677) Barbican Centre

OVERSEAS TRADE FAIRS

Current
International Spring Fair (01-240 7013) (until March 22) Leipzig

Store and Shopfitting Equipment and Machinery Exhibition — KORSTORE (01-439 0501 (until March 21) Seoul

March 19-23
International Spring Trade Fair (01-977 4551) Vienna

March 20-26
International Machine Tool, Metalworking & Allied Industries Exhibition (01-486 1951) Beijing

March 22-24
International Footwear Trade Fair (01-493 3893) Dusseldorf

March 23-26
Fashion Week (01-486 1951) Munich

March 26-29
SE Asian Building and Construction Equipment Exhibitions — CONEQUIP / SIBEX (01-891 5051) Singapore

April 22-26
International Packaging Exhibition—PROPACK (021-705 6707) Brussels

April 22-25
International Traffic Engineering Trade Fair (01-437 2175) Amsterdam

May 2-15
International Printing and Paper Fair—DRUPA (01-493 3983) Dusseldorf

May 5-8
Business Efficiency, Office Automation and Business Communication Exhibition — BEE/OFEX (01-855 7777) Hong Kong

May 13-15
Production, Organisation and Technical Aspects of Shows & Meetings, Trade Fair and Congress — SHOWTECH (01-740 4444) Berlin

May 28-June 4
Mechanical Handling, Machine Tool & Products Exhibition (01-439 3964) Paris

BUSINESS AND MANAGEMENT CONFERENCES

March 17-18
FT Conferences: Pensions in 1986 (01-621 1355) Hotel Inter-Continental, W1

March 17-19
Iraq Reinsurance Co: International conference on war risks insurance (01-626 2351) Baghdad

March 19-20
Lion International: Planning construction management (01-833 2705) Tower Hotel, E1

March 20
LCCI: China—the prospects for UK business (01-248 444) 69 Cannon Street, EC4

March 21
Oracle Business Information: Managing a unit trust—taxation and accounting requirements (01-727 5120) City Conference Centre

March 25
Marketing Conferences: How to stay in business when the Financial Services Bill becomes law—Survival '86 (01-434 3711) Strand Theatre

March 25
Public Issue Conferences: Privatisation of the British Gas Corporation — industrial and economic implications (0932 246496) Press Centre, EC4

March 25
ICMA: How will the Budget affect north-west business? (0925 51222) Haydock Park Racecourse

April 7-8
FT Conferences: Technology and the New Securities Markets (01-621 1355) Hotel Inter-Continental, W1

April 11
Nolan, Norton/BIM: Creating wealth in the 90s (0536 204222) Bowater House, SW1

April 14-15
European Study Conferences: The London International Construction Conference (0572 822711) Hilton Hotel, W1

April 14-15
FT Conferences: The fourth manufacturing automation forum (01-621 1355) Hotel Inter-Continental, W1

April 15-16
IBC: Marketing in the travel industry (01-236 4080) Portman Hotel, W1

April 15
Oracle Business Information: Tax planning for the single contract self-employed (01-727 3503) 22 Portman Close, W1

April 17-18
Institute for International Research: The financial, commercial and entrepreneurial opportunities for prospering through privatisation (01-434 1017) 116 Pall Mall, SW1

April 20-22
The Economist: Intrapreneurship in practice—developing and managing innovation in large corporations (01-839 7000) Ettington Park Hotel, near Stratford upon Avon

April 21-22
Airfinance Conferences: The Annual Airfinance Conference (0376 62262) Plaza Hotel, New York City

April 22-23
Institute for International Research: Cashing in on plastic card evolution (01-434 1017) 22 Portman Close, W1

April 22-23
FT Conferences: The prospects for tourism in Britain (01-621 1355) Hotel Inter-Continental W1

April 23
Institute of Directors: Coping with success (01-839 1233) 116 Pall Mall, SW1

April 23-24
Westminster & City: Regulating the marketing of life assurance and unit trusts (01-582 7245) Hilton Hotel, W1

April 30
Public Policy Consultants: Advanced techniques of dealing with Government (01-606 6090) St Ermin's Hotel, SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

TECHNOLOGY AND THE NEW SECURITIES MARKETS
London — April 7 and 8, 1986

This high-level conference will assess the implications of the race towards automation for October 27, the day the London Stock Exchange will set off the "Big Bang" restructuring of its trading practices.

The Stock Exchange's preparations for the new securities markets and the new trading and information systems will be reviewed by Mr Patrick Mitford-Slade, chairman of the Stock Exchange's Projects Committee, and Mr George Hayter, divisional director of Information Services, The Stock Exchange.

How technology is being applied to the Domestic Equities, Gilt-Edged Market, Futures and International Equities will be addressed by: Dr Paul Neild, Mr Peter Doney, Mr Michael Jenkins and Mr Jack W. Carrothers.

Mr George Macklin, president of the National Association of Securities Dealers, has been invited to speak on what can be learned from the NASDAQ experience.

MAJOR ASIAN ENERGY CONFERENCE
Hong Kong — June 5 and 6, 1986

A highly topical conference on "The Future for Oil and Gas Investment in Asia and the Pacific Basin" is to be staged in Hong Kong at the Meridien Hotel on June 5 and 6, co-sponsored with Petroleum News. Mr Dick van Hilten of Shell, Mr David Spottiswoode of Gassistance, Mr Peter Gaffney of Gaffney Cline and Mr Tatsu Kambara of Japan National Oil will be among the speakers.

LONDON WORLD GOLD CONFERENCE
London — June 18 and 19, 1986

This year's Financial Times World Gold conference will be held in London on June 18 and 19 at the Hotel Inter-Continental. Mr Robert Guy of Rothschilds has chaired and set the scene at each event in this long-running series and Dr Henry Jerecki is to act as co-chairman this year. Mr Tim Green, Mr Rolf Willi, Mr Brian Marber and Mr A. Schneider are among the contributors.

All enquiries should be addressed to:
The Financial Times
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX
Tel: 01-621 1355 (24-hour answering service)
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

GERMANY

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

NORWAY

[illegible]

AUSTRALIA

[illegible]

NETHERLANDS

[illegible]

JAPAN

[illegible]

SWEDEN

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

SWITZERLAND

1985-6 High	Low	March 14	Price Frs.
[illegible]			
2,385	1,570	Landis & Gyr	1,940
9,500	6,600	Nestle	8,675
1,735	1,290	Oer-Buehrle	1,650
460	258	Pirelli	425
12,000	7,000	Sandoz (Br)	11,200
1,900	1,140	Sandoz (Pt Cts)	1,705
940	650	Schindler (PtCts)	820
1,980	1,000	Sika	1,625
7,100	3,785	Surveillance A.	6,460
2,220	1,048	Swissair	2,050
685.5	535	Swiss Bank	659
15,950	8,876	Swiss Reinsce	15,000
6,520	1,450	Swiss Volksbk	2,596
6,450	5,580	Union Bank	4,970
6,400	5,510	Winterthur	5,090
6,525	6,200	Zurich Ins	6,375

ITALY

1985-6 High	Low	March 14	Price Lire
29,800	16,400	Banca Com'le	28,000
608	66.6	Bastogi IRBS	551
4,679	2,169	Centrale	4,320
11,760	3,571	C.I.R.	11,750
4,300	1,960	Credito Italiano	4,500
9,999	2,065	Fiat	8,645
106,000	24,450	GeneraliAssicur	104,900
68,950	34,820	Italcementi	57,900
11,111	522	La Rinascente	1,385
4,000	1,340	Montedison	3,811
12,800	3,755	Olivetti	12,200
8,070	5,460	Pirelli Co	7,910
4,899	1,936	Pirelli Spa	4,846
7,299	5,420	Saipem	4,940
6,990	2,105	Snia BPD	6,550
46,010	16,420	Toro Assic.	45,000

HONG KONG

1985-6 High	Low	Mar. 14	Price H.K.$
[illegible]			
15	5.40	HK China Gas	12.6
9.00	6.65	HK Electric	8.56
7.6	5.65	HK Kowloon Wh.	6.5
6.95	5.82	HK Land	6.7
8.8	6.85	HK Shanghai Bk	7.65
11.3	4.97	HK Telephone	9.9
88.5	18.5	Hutchison Wpa	24.6
1.0	0.65	Intl City	0.97
14.6	8.05	Jardine Math	11.5
8.55	5.1	New World Dev	6.2
2.75	1.95	Orient O'seas	1.99
13.9	7.9	SHK Props	10.8
2.05	0.85	Shell Elec	1.04
34	20.5	Swire Pac A	31
8.1	5.1	TV-B	5.1
2.77	1.65	World Int Hldgs	2.1

SPAIN

1985-6 High	Low	Mar. 14	Price Pta %
[illegible]			
640	524	Bco Santander	640
1,075	599	Bco Vizcaya	1,075
500	127	Dragados	500
127.2	70	Hidrola	127.2
150	81.5	Iberduero	150
556	125.5	Petroleos	548
182	94.5	Telefonica	182

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO
Closing prices March 14

Sales	Stock	High	Low	Close	Chng
29610	AMCA Int	$18⅝	16½	18¾	
1400	Aberford	$5¼	3⅛	5¼	−⅛
2135	Abitibi Pr	$26	26	26	
100	Acklands	$20⅞	20⅞	20⅞	+⅜
4870	Agnico E	$23¾	23¼	23¾	+⅛
227505	Albrta En	$12⅛	11⅝	11¾	−⅝
3835	Albrta N	$15	14½	14¾	
111799	Alcan	$47⅞	46¾	47⅞	−⅜
546	Algoma St	$17⅞	17¾	17⅞	
74500	Asamera	$10	9½	9½	−⅜
8447	Atco I f	$9½	9⅛	9⅛	
14300	Atco II	$9⅜	9¼	9⅜	−⅜
3050	BC Sugar A	$21	20⅞	20⅞	+⅛
2000	BGR A	$8⅜	8⅛	8⅛	−⅛
2180	BP Canada	$28¼	28	28¼	
1900	Banister C	$9⅜	9⅜	9⅜	
253466	Bk BCol	395	370	395	+30
107267	Bk Mont	$29¼	28	28⅝	−½
173884	Bk NScot	$13⅝	13	13¼	
178494	Bell Can	$39⅝	39⅛	39½	+¼
24792	Bluesky	250	240	245	
12512	Bonanza R	280	277	280	
2378	Bow Valy	$11¼	11⅛	11⅛	−½
1150	Bralorne	185	175	175	−10
2200	Bramalea	$16	15¾	16	
13434	Brascan A	$48	47½	47⅞	+⅝
34050	Brkwater	$6½	6⅜	6⅜	−⅛
500	Brenda M	$9½	9½	9½	
43041	BC ForP	$14½	14¼	14½	+⅛
70725	BC Res	155	151	155	+5
6993	BC Phone	$26¾	26⅛	26⅜	
2400	Brunswk	$13⅜	13½	13½	−⅛
86785	CAE	$20½	20	20½	+½
7230	CCL B I	$20¼	20	20	−¼
8356	CIL	$33⅞	33⅝	33¾	−¼
6989	Cad Frv	$15⅞	15½	15⅝	−⅛
3650	Cambridg	$21⅜	21⅛	21¼	
4780	Camp RLk	$26⅞	26⅜	26½	−⅜
3359	Camp Res	280	270	280	+10
2505	Camp Soup	$27	27	27	
13018	Campeau I	$24⅝	24½	24⅝	
6459	CCem ex p	$15½	15⅜	15½	+⅛
9102	CDC I	$10¼	10⅛	10⅛	
400	Can Malt	$19½	19½	19½	
5469	C Nor West	$15¾	15½	15¾	
1917	C Packrs	$37¾	37⅜	37¾	+⅜
1800	CS Pete I	375	360	373	+5
1910	Can Trust	$49½	48½	49½	+1½
600	CC Man Y	$28	28	28	
300	Cda GE	$83¼	83¼	83¼	− D.
4	CG Invest	$48⅞	48⅞	48⅞	
701750	CI Bk Com	$18⅝	17½	18⅛	−¼
2600	C Marconi	$24⅜	24¼	24¼	
174108	C Ocdental	$18⅜	17½	17¾	−¾
482545	CP Ltd	$18⅝	18⅜	18⅝	+¼
22404r	CTire A I	$14¾	14¼	14¾	+⅜
20125	CUtil A I	$12½	16¼	16¾	
50	CUtil B	$18¼	18¼	18¼	
12020	Cantor	$14¾	14⅛	14⅛	−⅜
7000	Conron A	$17½	17½	17½	−¼
700	Cara	$24⅞	24½	24⅞	+⅜
15200	Cara A I	$24½	24¼	24½	+¼
11885	Carl OK	$13⅞	13¾	13⅞	+⅛
32175	Carma A	10	13	12	−2
9108	Carolin	188	191	197	−5
2211	Celanese	$16⅝	16¼	16½	+¼
17700	CentFd A	$6⅞	6⅝	6¾	−⅛
8680	Centrl Tr	$18¼	18	18¼	+⅛
2785	Chieftan	$9½	9⅜	9⅜	
100	CHUM B I	$49¾	49¾	49¾	+½
9709	Cominco	$12⅝	12¼	12¼	−⅜
25300	Computing	$6⅛	5	5	−⅛
62262	Comput In	355	345	345	−15
500	Comterm	200	200	200	−5
12300	Con Bath A	$24⅝	24⅜	24½	+⅛
3756	CDistb B I	$6¼	6⅛	6⅛	
101458	Cons Gas	$24⅜	24⅛	24⅜	+⅛
1075	Con Glass	$23¾	23⅝	23¾	+⅛
825	CTL Bank	$9¾	9⅝	9¾	+⅛
185500	Conwst B	$6½	6⅜	6⅜	
30000	Corby	$17	17	17	
381	C Falcon G	$16½	16½	16½	
5200	Coseka R	175	165	166	−11
2806	Costain Ltd	$12¾	12¾	12¾	+¼
7210	Crownx	$28¾	28⅜	28⅜	−⅜
245850	Crownx A I	$27½	27⅛	27½	+½
12900	Czar Res	155	150	150	−15
62701	Daon Dev	465	450	455	+10
3500	Denison A 0	$10⅝	10½	10½	−¼
89800	Denison B I	$10¼	9⅞	10	−¼
2700	Develcon	430	420	420	−15
20825	Dicknsn A f	$8	7⅞	7⅞	−⅛
2725	Dicknsn B	$8⅛	8	8	−⅛
39480	Dofasco	$31½	31	31	−⅛
478131	Dome Cda	$5¼	5	5¼	+⅛
102258	Dome Mine	$12¼	11½	11¾	−⅜
171352	Dome Pete	205	180	185	−14
6826	D Textile	$19⅛	19	19⅛	+⅛
4494	Domtar	$30½	29⅞	30¼	+½
4200	Donohue	$27¼	27	27	−½
36200	Du Pont A	$32¼	32	32	
27310	Dylex A	$18½	18	18¼	−¼
1000	E-L Fin	$48¼	48¼	48¼	
26325	Echo Bay	$20	19¾	19¾	−⅛
7600	Emco	$27¼	27	27¼	+¼
2550	Equity Svr	$5¼	5⅛	5¼	
9350	FCA Intl	$16	15¾	15¾	−¼
112140	Ficnbrdg	$24⅛	23⅞	23⅞	−½
47230	Fed Ind A	$15¼	15	15⅛	+⅛
900	Fed Pion	$28½	28	28½	+½
600	Finning A	$17	16¾	16¾	−¼
1700	Finning B I	$18¼	18⅛	18⅛	+⅛
3600	FCity Fin	$11¾	11¾	11¾	
1625	Ford Cnda	$170	168½	168½	+11½
11804	Gandalf	$7½	7⅜	7⅜	−⅛
10950	Gaz Metr	$11⅜	11	11¼	
700	Geac Comp	$6¼	9¾	6¼	
550	Gendis A	$38½	38½	38½	
129641	Genstar L	$44⅝	44	44¼	−⅜
5	Giant Yk	$21¾	21¾	21¾	
13900	Gibraltar	$9⅝	9¼	9⅝	+⅜
8518	Goldcorp I	$7⅜	7½	7½	−¼
8200	Grafton A I	$15⅜	15⅜	15⅜	+⅛
5900	GL Forest	$23½	23¼	23¼	
8700	Greyhnd	$28¼	27¼	28	−¼
24650	GuarPA f	$12¾	12½	12½	
32743	Gulf Can	$16⅜	16¼	16½	−⅛
4897	Hawker	$25⅝	25½	25½	
14806	Hayes D	$14¼	13¾	14	
9500	Hees Intl	$29¾	29½	29½	−¼
590	Heritag A f	$23¼	23	23¼	
157423	H BayMn s	$7¼	7¼	7¼	+⅛
12584	H Bay Co	$28	27⅝	28	+⅛
104010	Husky Oil	$8⅜	8	8⅜	+⅛
37712	Imasco	$30¼	29¾	29⅞	−⅛
105110	Imp Oil A	$46⅞	45¾	46¼	−⅛
45692	Inco	$21⅛	20¾	21	−⅛
3000	Indal	$24⅛	23¾	24⅛	+⅛
3255	Inland Gas	$11⅝	11¾	11¾	−⅛
71500	Innopac	$19⅝	16¼	19¼	−¼
4923	Inter City	$15¼	14⅝	15	−⅛
25000	Intl Thom	$9¼	9	9⅛	−⅛
8415	Intpr Pipe	$40⅞	40	40¾	+1¼
23548	Ipsco	$10¾	10½	10½	−½
86800	Ivaco A I	$24¾	24½	24¾	+⅜
300	Ivaco B	$24½	24½	24½	
18137	Jannock	$24¼	24⅛	24¼	
1015	Kerr Add	$15⅜	15	15	
2856	Labatt	$38½	38⅛	38¼	+⅛
162756	LL Lac	$22⅝	21¾	21¾	−¾
1160	Lacana	$9⅞	9	9⅛	
44450	Laidlaw A	$17½	17¼	17⅜	−⅛
58150	Laidlw B I	$17⅜	17	17⅛	−⅛
160946	Leigh Inst	445	430	445	+15
5050	Loblaw Co	$27	26½	26½	−½
5190	Lumonics	$15¾	15⅜	15½	−⅛
8800	MICC	375	365	375	+5
200	MSR Ex	285	285	285	+20
16377	Mclan H X	$16½	16	16½	−⅛
1105	Mcln HY 1	$17½	17⅜	17⅜	−¼
51415	Macmillan	$29¼	28¾	29	−¼
182974	Magna A I	$29¼	28⅞	29⅛	+⅜
12289	Maritime f	$14¼	14	14¼	
1500	Mark Spnc	$14⅝	14¾	14¾	−⅛
57440	Mass Fer	285	285	285	
7917	Merland E	220	215	215	−2
6300	Mmrl Res	250	245	245	−5
51550	Mitel Corp	$7⅞	7¾	7⅞	+⅛
800	Moffat	$18	15½	15½	−½
19746	Molson A I	$25⅛	24½	25⅛	−¼
400	Molson B	$25	25	25	−¼
2249	Moneco A f	$6¾	6½	6¾	+⅛
13662	M Trusco	$16¼	19	12	
65583	Moore	$35½	35	35	−⅜
8600	Murphy	$19¾	19¾	19¾	
64758	Nat Bk Can	$25½	25	25¼	+½
3832	Nt Vg Trco	$26½	26⅛	26¼	−¼
4400	Nfl CapA I	$7½	7¼	7¼	−¼
3150	Nfld LP A	$17⅞	17¾	17⅞	−⅛
91555	Noranda	$18¼	18	18⅛	+⅛
15410	Norcen	$13¾	13⅛	13½	−¼
1789	Norcn ord I	$12⅝	12½	12½	−⅛
850	NC Oils	$12¼	12	12¼	
95773	Nor Tel	$40⅞	39⅞	40⅜	−⅛
2900	Northgat	470	460	460	
178144	Nwa AltA I	$6⅛	5⅞	6	
700	Nowsco W	$16½	10½	10½	
500	Nu West	39	39	39	+21
4000	Numac	$8¼	8⅞	8⅞	−½
1000	Oakwood	$5⅝	5⅜	5⅜	−⅜
1987	Oakwd A I	410	400	400	−10
4400	Ocelot B I	390	370	570	−30
2880	Omega Hyd	$5¾	5½	5½	
4925	Oshawa A I	$40	39½	39¾	−¼
61200	PacW Airl	$13½	13¼	13½	+¼
25892	Pgurin A I	$14⅞	14½	14¾	−⅛
14800	Pamour	$10⅝	10⅛	10¼	−¼
30600	PanCan P	$24½	23⅞	23⅞	−1½
1306	Pegasus	$9½	9⅜	9⅜	−¼
3200	Pembina	$15¼	15	15¼	+¼
400	PJewl A I	$13⅜	15	18	−½
775	Pine Point	$9	9½	8½	−⅛
27236	Placer O	$24⅛	23⅞	24	−⅛
10460	Poco Pet	$8	7⅝	8	+¼
55100	Powr Cor I	$27⅝	26¾	27	−½
100	Precamb	350	350	350	
3300	Provigo	$18¾	18½	18¾	+¼
754	Que Sturg	455	455	455	+5
100	Quo Tel	$44	44	44	+1½
335085	Ranger	465	440	465	+15
36200	Rayrock f	$7	6¾	7	+⅛
5555	Redpath	$21⅝	21⅜	21⅜	−⅜
5600	Regionl R	295	280	290	−10
2800	Reitman A I	$30½	30⅛	30½	+½
16783	Rio Algom	$27¼	26¾	26¾	−¼
3600	Rogers A	$19½	19⅛	19⅛	−⅜
34204	Rogers B I	$20⅜	20	20¼	−¼
3150	Roman	$11⅝	11⅜	11⅝	+¼
1900	Rothman	$31½	30½	31	−¼
132393	Royal Bnk	$30¼	29⅝	30	−⅜
41500	RyTrco A	$30½	30⅛	30⅜	+⅛
291816	Royex	320	287	320	+10
3345	StL CemA I	$28	27⅞	28	+¼
6400	Sceptre	310	295	305	+10
510	Scot Paper	$26¾	26¾	26¾	
1075	Scotts I	$37⅛	36⅝	36¾	−⅜
80129	Seagram	$77⅝	75⅜	77⅜	+2⅝
12919	Sears Can	$13¼	13	13⅛	+⅛
3978	Selkirk A I	$26¼	25⅞	26¼	+¼
155554	Shell Can	$22¼	21¾	22	−⅜
6900	Sherritt	$7¾	7⅝	7⅝	−⅛
6565	Southm	$20¼	20	20¼	
10126	Spar Aero I	$26½	25	26	−¼
102200	Steinbg A f	$43	42	43	
30988	Stelco A	$27⅝	26¾	27⅜	−⅛
22500	Sulpitro	75	71	72	−3
166105	Teck B I	$23⅞	23¼	23⅝	+⅛
2650	Terra Mn	269	265	269	+4
8675	Texaco Can	$26¾	26¼	26¼	−⅝
30640	Thom N A	$28	27⅜	27¾	+½
175800	Tor Dm Bk	$23½	22¾	22⅞	−⅜
1700	Tor Sun	$23¼	23	23	−¼
9550	Torstar B f	$48	47¼	47½	
2250	Total Pet	$23	23	23	
805	Traders A f	$34¼	34	34¼	
5500	TrCan R A	160	150	155	−5
4325	Trns Mt	$11	10¾	10¾	−¼
78584	TrnAlta UA	$27¼	26⅞	27⅛	+⅛

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices March 14

Sales	Stock	High	Low	Close	Chng
186524	Bank Mont	$29⅛	28	28⅞	−⅜
5840	BombrdrB	$17⅝	17¼	17½	
5900	CB Pak	$28¾	28⅜	28¾	+⅜
24807	Cascades	$16¼	10	12	−⅛
1500	CIL	$33⅝	33⅝	33⅝	−⅜
8964	ConBath	$24⅝	24⅜	24½	
53846	DomTxtA	$18⅛	19	19	
64543	Gaz Metro	$11⅜	11⅛	11⅛	−⅛
2900	MntTrst	$18⅝	18	19	−⅛
52093	NatBk Cda	$25⅜	25	25¼	+⅜
40829	Power Corp	$27⅝	26¾	27	−½
19789	Provigo	$18½	18½	18⅝	+⅛
1000	RollandA	$21½	21¼	21½	−¼
32994	Royal Bank	$30¼	29¾	30	−¼
850	RoyTrstco	$30½	30¼	30½	
101515	SteinbrgA	$43½	42	43½	+1½

Total Sales 4,788,283 shares

OVER-THE-COUNTER
Nasdaq national market, Closing prices March 14

Continued from Page 33

Stock	Sales (Hnds)	High	Low	Last	Chng
O O					
Oceaner	66	1¾	1 11-12	1 11-16	
Ocilias	96	13⅜	12⅞	13⅛	−⅜
OglGps .80	134	36½	36	36½	
OhioCa 5	404	89¾	88	89¾	+1
OldKnt 1.10	180	38⅝	38	38¼	−½
OldRpe .74	655	41¾	40½	41¾	+1¼
OldSpfC 2.60	87	21⅛	20¾	21	−⅛
OneBcp .60	231	38¼	37½	37¾	−⅜
OnLine	29	11¼	11	11	
OpticC	305	17⅛	16⅝	17⅛	+½
OpticR	528	20¾	20	20¼	−¼
Orbanc	12	14	13¾	14	+¼
Orbit	5589	12	11⅛	11¾	+¾
OrlaCp	245	3⅜	5	3⅜	+⅛
Oshmn .20	21	20	19½	19½	
OttrTP 2.84	81	37¾	37½	37¾	+¼
OvrExp	298	7	2¼	6½	−¼
OwnMs .28	x59	19⅝	19½	19⅝	+⅛
P P					
PNCs 1.32	803	45⅛	44⅝	44⅞	−¼
Pacar 1.40	521	54¼	53¼	54	+¾
PacFst	1649	18⅛	17¼	17⅞	−¾
PacTel .80	76	14½	14¼	14½	
PacoPh	447	21⅞	21¼	21⅝	+½
PanchMx .13	36	11½	11¼	11¼	
ParkOh .60	27	10¼	10	10	
PatntM	268	5⅛	4⅞	5⅛	+⅛
PaulHr t	87	17	17	17	+½
Paychx	280	24¼	23¾	23¾	−½
PeakHC	1848	11½	11	11½	+⅛
PegGld .06	188	6⅞	6⅝	6¾	−⅛
PenaEn 2.20	14	36½	36	36	−½
Pentars .72b	646	33¼	32½	33¼	+½
PeopEx .10r	5280	9⅞	9⅜	9⅜	−⅜
Petrite 1.12	306	27½	26¾	27½	+¾
Phrmct	313	7⅛	6⅝	6⅝	−⅜
PSFS .20a	1363	12⅞	12¾	12⅞	+⅛
PhilGl .53e	2406	24¾	24½	24¾	+¼
PhnxAm	297	4⅛	3⅞	4	+⅛
PicSav	6279	36¼	34½	34⅝	−1⅜
PicCafs .52	153	25	24½	24¾	−¼
PionHi 1.04	1104	40¼	38¾	39¾	+¾
PionSt .12	130	10⅜	10¼	10¼	
PoFolk	228	11⅛	10½	10¾	+¼
PlcyMg	1833	18	17¾	18	+¼
Porex	221	29¼	28½	28½	−½
Powell	40	2⅜	2⅛	2⅛	−¼
Powrtcs	95	17	16½	16½	
PwConv	16	13⅝	13⅝	13⅝	
ProdCst .12	96	34	33⅝	34	
PrpdLg	79	15¼	14¾	15⅛	+⅜
Priam	566	7	6⅞	7	+⅛
PriceCs	1111	44	43	43¾	+¾
Prtronx	135	12½	12⅛	12½	+⅜
ProdOp .16	37	4⅝	4⅝	4⅝	
ProgCs .12	205	63	62¼	63	+¼
PropTr 1.20	146	12	11⅞	12	
Provin	35	23	23	23	
PurtBn .40	20	38¾	38¾	38¾	
QMS	550	11¼	10⅞	10⅞	−⅜
Quadrx	50	10⅞	10¾	10¾	−⅜
QuakCh .42	23	17¼	16¾	16¾	−¼
Quantm	2239	22¾	21⅞	22	
QuestM	359	6⅝	6⅛	5⅛	−⅛
Quixote	271	26¼	24½	26	+1¼
Quotrn	10007	15⅝	14½	14⅞	+¼
R R					
RAX .01e	120	8¼	8⅛	8¼	
RPM .62	203	21½	21⅛	21½	+⅛
RadSys	424	13⅞	13⅝	13¾	−⅛
RadnT	757	8⅝	7⅞	8¼	+¼
Radion	0	8¼	2	8¼	+¼
Ragen	214	5⅝	5⅜	5⅝	−⅛
Rainer 1.08	375	42⅛	41⅜	41½	−⅝
RayEn .24	56	21¼	21	21	
RedkCr	235	1 11-16	1½	1½	
Reading	554	22⅝	22	22⅛	−½
Recotn	215	13¼	12¼	12¼	−¾
RedknL .04	57	30¼	29½	29½	−¾
Reeves	500	14¾	14½	14⅝	+¼
RgcyEl .20	3317	7⅜	7⅛	7⅜	+⅛
Regiss .12	11	17	17	17	
Reliab	12	5¼	5¼	5¼	+⅛
RpAuto .16	26	9⅝	9⅝	9⅝	−¼
RpHlth	1986	17⅝	17⅜	17⅝	+¼
Reuterl .15e	28	13½	13¼	13¼	
ReutrH .33e	905	42	41¾	42	+⅝
ReyRey 1.40	50	63½	63	63½	
Rhodes .32	47	25½	25¼	25⅜	+⅛
Ribilms	232	6¾	6⅝	6⅝	
RichEls	56	26	26	26	+¼
Rival .80	111	17	17	17	
RoadSv 1.10	476	42¼	41⅝	42¼	+¼
RobNug .06	8	13¾	12⅞	13⅜	
RobVsn	121	10	9⅝	9⅞	
Rouses .60	268	33¼	32¾	33	−¼
RoyPlm 1	89	0	7½	7¾	
RoylRs	.11	2¼	2	2¼	
RustPel	8	13½	13⅜	13⅜	−⅛
RyanFs	945	22¼	21¼	21¼	−⅝
S S					
SAYInd	58	11	10½	11	
SCI Sy	3587	18½	17¾	18¼	+⅜
SEI	236	25¾	25½	25½	
SFE .10r	142	8⅝	8⅜	8⅜	−⅛
SRI .80	21	21¼	20½	21¼	+¾
Safecds .24	454	31⅞	31¼	31⅝	−⅛
Safeco 1.60	1774	57½	57	57¼	+¼
SalHlts	36	12¼	11½	12¼	+¼
StJude	849	21¾	20¾	21½	+⅝
StPaul 5	5493	104	99¼	103½	+4½
SalCpt	587	6¾	6¼	6⅝	+⅜
SanBar	14	6⅝	6¼	6¾	+⅜
SavnFs .88e	8	36	35¼	35½	+¼
SBkPSs .44	320	26½	25¾	25⅞	−⅜
ScanOp	1031	12¾	12¼	12⅝	+⅜
ScanTrs	173	20	19¾	19¾	
Scherer .32	63	12⅛	11⅞	12⅛	+⅛
SchlmA .44	210	37¾	36¾	37¾	+⅝
SciMic	707	5½	5⅛	5¼	
SciSft	8	5	5	5	
Scitex	146	6⅝	7¾	8½	+½
SeaGal	565	3⅝	3⅛	3¼	
Seagate	854r	11	10¾	10⅞	+⅛
SecTag	843	2½	2¼	2½	+⅛
SEEQ	1909	3⅜	5	3⅜	
Selbel .80	706	22¾	22½	22¾	
Semicn	0	7¼	7¼	7¼	+⅛
Sensor .05	1386	8⅝	8½	8¾	+⅛
SvcMer .08	2650	15	14⅝	14⅞	+¼
Svmste .84	1783	25½	24¾	25⅜	+⅜
Servico t	102	25¾	24¼	25	
SevOak .16	80	22⅝	22⅜	22⅜	−¼
ShrMed .60	3890	38¼	37⅞	38¼	+⅜
Shwmt 1.84	703	48¼	47¼	48¼	+1
Shelbys	156	23¼	22⅜	22⅜	−¼
Sheldl	276	9	8⅞	8⅞	
Shoneys .15	1032	30⅛	29¾	30	
ShonSos	197	14½	14¼	14⅜	
Silicon	356	4¼	4	4	−⅛
SiliconS	215	15⅞	14⅞	14⅞	
SilicVal	59	12	18½	19	+¼
Silicns	153	28¼	27¾	28¼	+½
Siltec	477	4⅜	4½	4½	
Simpln .80	310	24⅜	24	24⅛	+⅛
Sippins	63	12½	12¼	12¼	−¼
Sizzlers	670	19½	18¾	19	−¼
Skipper .06	219	10⅛	9⅞	9⅞	
SmithL	369	3	2⅞	2⅞	
Society 1.92	105	64¼	63½	64	+¼
SoctySs	218	21½	20¾	21	+¼
Softech	228	11	10¼	11	+¾
SoftwA	707	18⅛	18¾	18⅞	+⅛
SonocPs .68a	84	35¼	34⅞	35¼	
SonrFd .60a	212	14	13¼	13¾	+¼
SoHosp	74	4⅝	4¼	4¼	
SthdFn .52	243	19	18⅜	18⅜	
Soutrst .68	261	21⅛	20⅞	21⅛	
Sovrgn .10	1472	9⅝	9¼	9½	
Sovrans 1.28	1102	35⅞	35⅜	35¾	−⅛
Specdy	167	26¼	25¾	25¾	−⅜
Spctran	823	14¾	14	14½	
SpecCtl .07	460	8¾	8½	8¾	
Spire	37	15¾	15¼	15¾	+½
StarSur	899	10½	9¾	10½	+¼
StatBld .20	156	9¼	9	9	
Standy 1.08	39	40	38½	40	−¼
StdMic	1601	17½	16⅞	16⅞	−¼
Stanhm 1.52	20r	34⅝	38	33¾	+¼
StaStBs .64	357	50	48¾	48⅞	+1
StateG .05a	1720	8⅜	7¾	8⅛	+¼
Steiger	165	5⅜	5¼	5¼	−⅛
StewStv	29	15½	15¼	15½	
Stwinf .72	26	27¾	27	27	−¾
Stitel	155	11	10¾	11	
Stratus	4566	18¼	17½	17¾	−1½
StrwCls .70	265	48⅝	47½	48½	+½
Strykrs	117	27	26½	27	+¼
Subaru 2.28	53	205½	201	205½	+4½
SubrB 1.92	148	101	100½	100½	
Summa	538	5	4¾	4⅞	
SumtHl .10	712	11	10⅞	10⅞	−⅛
SunCst	828	2 9-16	2⅝	2 7-16	−⅛
SunMed	4	12	11¾	11¾	−¼
SupSky	170	12	11½	11¾	+¼
Suprtex	164	3⅞	3¾	3¾	
SymbT	310	12¾	12½	12½	−⅛
Syncor	2538	6⅞	6⅜	6¾	
Syntech	104	9	8¾	8⅞	
Syntrex	214	5¾	5½	5½	−¼
Syscone .20	63	13	12½	13	
SyAsoc	102	10	9¾	10	+¼
Systin	196	9⅛	8⅞	8⅞	
SysIntg	78	15¼	14¾	14¾	−⅛
Systmt .08	10	25¾	25¾	25¾	−½
T T					
TBC	382	14	13½	13½	+¼
TCA Cb .16	409	26½	25½	26	+½
Tandem	4191	26⅛	25½	25⅝	−⅛
Tandon	2150	5¾	5⅝	5¾	
TcCom	47	18¼	18	18	
Telco	012	8⅞	8½	8⅝	−⅛
TlcmA	2200	47¼	46½	46⅞	−⅜
TelPlus	2771	8⅜	8⅜	8⅜	−⅜
Telecrd .38	1114	36¼	35¼	35⅞	+⅛
Telvid	276	3⅞	3¾	3⅞	
Telabs	328	11½	11⅛	11⅜	+¼
Telxons .01	515	28¾	27	28½	+1
Tempo .14	70	10½	10	10½	+¼
TermDt	25	3¼	3¼	3¼	−¼
TherPr	50	4½	4¼	4½	−⅛
Thermd	503	17⅛	15⅞	16½	−⅝
ThrdNa .76	206	29	28½	28⅝	−¼
Thortec	264	8⅛	7⅞	7⅞	−⅛
ThouTr	1382	9½	8	9	−½
Tiprary	311	7-16	⅜	7-16	
TotlSys	40	40	38½	38½	+1
TrakAu	101	14½	14¼	14¼	
TriadSy	569	11⅝	11⅜	11⅝	
TrusJo .40	19	32¼	31¾	31¾	−¼
U U					
USLICs .80	164	28½	28¼	28½	+¼
UTL	2247	19	18½	18⅞	+½
Ultray .08e	507	10⅞	10⅜	10⅝	+¼
Ungmn	3812	12½	11⅞	12⅛	+½
Unitis	1569	14¼	13¾	14⅛	+½
UnPlntr	480	35	34¼	35	+¾
UACms .08	250	27¾	27½	27½	−¼
USAlsk	145	9¾	9⅝	9⅝	+⅛
UBCol 1.06	120	34⅛	33⅞	33⅞	−¼
UFnGrp	19	8¼	6	2	−¼
UFstFd .10e	291	24	23¼	23½	−⅛
UGrdn 1.64t	198	11½	11	11¼	+¼
UPresd	112	14¾	14½	14⅝	
US Ant	85	2 15-12	2 13-16	2⅞	+1-12
US Bcp	11904	40¼	38	40⅞	+2¼
US Cap	121	3½	3¼	3½	+¼
USDsgn	52	3¾	3½	3½	−¼
US HltC .05	x1948	17½	17⅛	17⅜	
USShelt .12	21	4¼	4¼	4¼	
US Sur .40e	274	19½	18¼	19⅜	+⅛
US Trs 1.32	175	54¾	54¼	54¾	+¼
UStatn .24	770	24	23½	23½	−½
UnTelev	25	28⅞	28⅝	28⅞	+¼
UVaBs 1.84	85	55⅝	55½	55½	−⅜
UnvFrn	442	32½	30¼	32½	+2¼
UnvHlt	1512	16⅛	15¼	15⅞	+⅝
UFSBk .15e	414	12	17	17	−⅞
Uscal 28	338	6⅛	8	8	
V V					
VLI	183	4⅞	4¾	4¾	−⅛
VLSI	1378	16¼	15⅞	12	−¼
VMX	816	5⅜	5¼	5¼	−⅛
VSE .20	60	15¾	15	15¼	−½
ValidLg	1671	7	6⅞	7	+⅛
ValFSL 1	211	26⅝	26½	26½	
ValNtl 1.32	356	45⅜	44⅞	45⅜	+⅜
ValLn .40	28	25¾	25¼	25¼	
Vanzeti	14	4¾	4½	4¾	+¼
Ventrex	215	5¼	5	5	−⅛
Vicorp .13e	733	18¾	18½	18¾	+⅜
ViedeFr .22e	143	7⅜	7⅜	7⅜	
Viking	212	19	18½	12	−¼
Viratek	332	29½	28¾	28¾	−½
Vodavi	193	8⅞	8⅝	8⅞	+⅛
Voltlnf	205	20	19¾	19¾	+¼
W W					
WD 40 1.04	309	24¾	23¾	24½	+¾
WalbCs .32	245	20½	19¾	19¾	
WlkrTel	548	8⅜	8	8⅛	
WshE 1.76	279	24⅞	24¼	24⅝	−¼
WFSLs .72b	305	35¼	34¾	34¾	
WMSB .10e	1144	26	24⅞	24⅞	−⅜
Wavetk	267	10⅛	9⅝	10	+⅜
Webb .40	52	14¼	14	14	−¼
WestFn	210	37½	36¾	37½	+¾
WstFSL	135	20⅞	20⅜	20⅝	−½
WMicTs	22	10¼	10	10	−¼
WtTlAs	65	20¼	19⅞	19⅞	−⅛
WmorC .40	549	20½	19¾	20¼	+¼
WstwCs	72	12⅞	12¾	12⅞	
Wattra .96	322	41¾	41⅜	41½	−¼
Wicat	1223	8¾	8⅜	8⅝	+¼
Widcom	220	2⅝	2½	2½	−⅛
Willmt 1.65	72	60½	60¼	60½	+¼
WillAL	1251	23	22¼	22⅝	+¼
WmsSn	4	25¼	24½	25¼	+½
WilsnF	584	8½	8¼	8¼	
Windmr	613	6⅝	6¼	6¼	−⅛
WiserO .60	113	14⅝	14⅛	14¼	+⅛
Woodhd .60	67	14¾	14½	14½	
Worthgs .44	303	27⅛	26⅞	27⅛	+⅛
Writer .15e	515	10⅜	10	10½	
Wyman .60	426	22¾	22	22¼	−¼
X Y Z					
Xebec	175	2	1⅞	1 15-16	
Xicor	1656	11¼	11	11⅛	+⅛
Xidex	4632	16⅝	16⅛	16½	+¼
YlowFs .54	69r	35	34½	34⅞	−⅛
Ziegler .48a	10	17½	17¼	17¼	
ZionUt 1.36	19	51¼	50¾	51¼	
Zitel	2	4	3⅝	3⅞	−⅜
Ziyad	2398	7	6⅝	6⅞	+⅛
Zondvn	939	17¼	16⅞	16⅞	
Zymos	202	2¼	2⅛	2 3-16	+1-16

NEW YORK CLOSING PRICES

Continued from Page 33

[illegible]

NEW YORK — INDICES

DOW JONES	Mar. 14	Mar. 13	Mar. 12	Mar. 11	Mar. 10	1985-86 High	1985-86 Low	Since Cmp High	Since Cmp Low
◆Industri'ls	1792.74	1753.71	1745.45	1746.05	1702.95	1792.74 (14/3/86)	1184.96 (4/1/85)	1792.74 (14/3/86)	41.22 (2/7/32)
H'me Bnds.	90.00	89.65	90.03	89.05	89.88	90.86 (4/3/86)	72.72 (20/5/85)	—	—
Transport.	816.24	810.48	806.18	801.52	793.06	816.24 (14/3/86)	553.03 (4/1/85)	816.24 (14/3/86)	12.32 (8/7/32)
Utilities	189.47	188.04	188.40	186.81	182.81	189.47 (14/2/86)	146.54 (4/1/85)	189.47 (14/2/86)	10.5 (28/4/42)

◆Day's High 1768.80 (1775.55) Low 1729.55 (1755.48)

STANDARD AND POOR'S	Mar. 14	Mar. 13	Mar. 12	Mar. 11	Mar. 10	1985-86 High	1985-86 Low	Since Cmp High	Since Cmp Low
Composite	236.05	233.19	232.54	231.69	228.56	236.85 (14/3/86)	163.68 (4/1/85)	236.85 (14/3/86)	4.40 (1/6/32)
Indust'ls	260.40	256.78	256.09	255.55	249.57	260.40 (14/3/86)	185.24 (4/1/85)	260.40 (14/3/86)	3.62 (30/6/32)
Financials	31.15	30.61	30.38	30.18	29.51	31.12 (14/3/86)	18.5r (4/1/85)	31.15 (14/3/86)	8.64 (5/10/74)
N.Y.S.E. COMPOSITE	136.17	134.48	134.17	135.58	130.87	136.17 (14/3/86)	94.60 (4/1/85)	136.17 (14/3/86)	—
AMEX MKT. VALUE	267.81	267.15	267.56	264.15	260.78	267.81 (14/3/86)	202.06 (2/1/85)	267.81 (14/3/86)	29.13 (9/12/74)
NASDAQ OTC COMP.	371.83	370.35	369.69	367.56	363.93	371.83 (14/3/86)	245.31 (2/1/85)	371.83 (14/3/86)	54.9 (3/10/74)

DIVIDEND YIELDS	Mar. 7	Feb. 28	Feb. 21	Feb. 14	year ago (approx)
Dow Industrial	5.77	5.72	5.74	5.81	4.81
	Feb. 18	Feb. 12	Feb. 8	Jan. 28	
S and P Industrial	5.50	5.55	5.40	3.44	3.91
S and P Ind P/E ratio	16.36	15.12	14.89	14.88	11.34

TRADING ACTIVITY (Millions)	Mar. 14	Mar. 13	Mar. 12
Volume: New York	191.87	171.48	210.25
Amex	21.82	19.584	19.500
O.T.C.	—	140.058	164.86

New York	Mar. 14	Mar. 13	Mar. 12
Issues Traded	2,053	2,069	2,077
Rises	1,057	859	1,110
Falls	634	802	630
Unchanged	362	408	337
New Highs	373	365	500
New Lows	4	3	5

CANADA

TORONTO	Mar. 14	Mar. 13	Mar. 12	Mar. 11	Mar. 10	1985/86 High	1985/86 Low
Metals & Minerals	—	2346.1	2364.8	2365.4	2331.0	2566.4 (11/5/85)	1740.92 (3/1/...)
Composite	2957.7	2961.7	2993.9	2973.5	2926.3	2996.3 (12/2/86)	2348.5 (8/1/8...)
MONTREAL Portfolio	1512.14	1511.88	1528.57	1517.88	1491.26	1528.37 (12/3/86)	1203.49 (4/1/85)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
US Steel	2,548,200	23	−⅛
IBM	2,511,200	150⅛	−⅛
ATT	2,160,900	23⅛	+⅛
Reynold Ind	2,141,200	42½	+1
Storage Tec.	2,003,300	3⅞	−1
Bristol Myers	1,977,300	71½	+2¼
Am Cap Mgt	1,886,800	21¼	
Eastman Kodak	1,806,800	58¼	+1¼
Western Air	1,680,800	11⅛	−⅛
Exxon	1,596,900	55	+⅛

	Mar. 14	Mar. 13	Mar. 12	Mar. 11	1985-86 High	1985-86 Low
AUSTRALIA						
All Ord. (1/1/80)	1089.5	1085.0	1076.8	1068.1	1089.5 (14/3/86)	711.5 (7/1/85)
Metals & Mnls. (1/1/80)	525.4	522.4	517.4	509.5	583.8 (28/5)	462.5 (7/1/85)
AUSTRIA						
Credit Aktien (2/1/62)	115.55	115.52	114.15	112.74	128.52 (15/1/86)	58.21 (4/1/85)
BELGIUM						
Brussels SE (1/1/80)	3550.19	3546.72	3543.87	3513.45	3550.16 (14/3/86)	2090.7 (3/1/85)
DENMARK						
Copenhagen SE (3/1/83)	258.13	258.52	257.91	254.18	222.83 (13/3/86)	158.44 (3/1/85)
FRANCE						
CAC General (31/12/80)	122.4	515.5	515.8	511.0	524.7 (24/2/86)	180.8 (3/1/85)
Ind Tendance (31/12/85)	123.2	119.5	118.2	117.8	155.5 (24/2/86)	100.0 (31/12/85)
GERMANY						
FAZ Aktien (31/12/58)	690.57	588.45	688.57	581.15	718.78 (15/1/86)	582.19 (3/1/85)
Commerzbank (1/12/53)	2092.4	5088.0	2057.5	2065.3	2121.8 (16/1/86)	1111.0 (3/1/85)
HONG KONG						
Hang Seng Bank (31/7/64)	1607.65	1612.57	1590.39	1589.15	1826.84 (8/1/86)	1220.74 (2/1/85)
ITALY						
Banca Comm Ital. (1972)	221.98	555.89	514.69	505.26	556.59 (15/2/86)	229.56 (2/1/85)
JAPAN**						
Nikkei (16/5/49)	14519.77	14414.7	14238.1	14098.2	14519.77 (14/3/86)	11542.2 (3/1/85)
Tokyo SE New (4/1/68)	1156.15	1153.45	1145.86	1151.21	1158.18 (14/3/86)	918.95 (4/1/85)
NETHERLANDS						
ANP-CBS General (1970)	260.8	263.2	261.3	259.4	267.0 (6/1/86)	185.0 (3/1/85)
ANP-CBS Indust (1970)	248.3	251.8	251.8	245.7	256.3 (17/1/85)	147.9 (3/1/85)
NORWAY						
Oslo SE (4/1/83)	344.51	348.33	345.94	341.82	412.63 (12/11)	285.10 (2/1/85)
SINGAPORE						
Straits Times (30/12/66)	678.59	584.88	601.34	685.26	862.86 (7/5/85)	584.88 (13/3/86)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1218.2	1200.3	1182.7	1507.3 (27/1/86)	828.3 (15/8)
JSE Indust (28/9/78)	—	1150.8	1151.3	1149.1	1154.7 (26/2/86)	767.1 (7/3/85)
SPAIN						
Madrid SE (30/12/85)	154.42	150.23	145.45	150.66	154.42 (14/3/86)	100.0 (30/12/85)
SWEDEN						
Jacobson & P (31/12/56)	1955.56	1945.42	1930.86	1922.59	1945.46 (13/2/86)	1286.82 (3/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	279.2	585.8	588.3	580.5	525.5 (5/1/86)	388.7 (3/1/85)
WORLD						
M.S. Capital Intl. (1/1/70)	—	295.3	292.7	290.3	295.3 (14/3/86)	184.6 (4/1/85)

** Saturday March 15: Japan Nikkei 14,664.47, TSE 1,156.59.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. † 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Closing prices, March 14

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21 1/2	10 5/8	AAR s			19	365	21 1/2	20 3/4	21	+ 1/8
25 3/8	10 1/4	AGS			15	162	22 1/4	21 3/4	21 3/4	− 3/8
14 3/8	9 1/8	AMCA				78	14 3/8	13 5/8	13 5/8	− 1/8
53 1/2	37 1/2	AMR			8	6230	49 3/4	48 3/8	49 1/8	− 1/8
25 3/4	16 5/8	AMR	pf2.18	8.6		8	25 1/4	25 1/4	25 1/4	
25 3/4	23 1/4	ANR	pf 2.67	11.		4	25 1/4	25 1/4	25 1/4	− 1/8
21 1/2	18	ANR	pf 2.12	10		2	20 7/8	20 7/8	20 7/8	− 3/8
12 1/2	7 5/8	APL			7	11	11 1/2	11 3/8	11 3/8	− 1/4
16 3/4	10 3/8	ARX			14	53	15 7/8	15 3/8	15 1/2	
55 3/8	32 3/4	ASA	2a	5.1		969	39 5/8	37 1/2	39 1/2	+ 2
25	10 1/2	AVX		2.0		200	16 1/4	15 7/8	16 1/4	+ 1/4
29 7/8	21 1/8	AZP	2.72	9.3	8	1475	29 5/8	29 1/4	29 3/8	+ 1/8
76 1/2	48 3/8	AbtLab 1.40		1.8	20	3594	u77 3/4	75 5/8	76 7/8	+ 1 1/4
31 1/2	19 5/8	AccoWd .50		1.6	22	94	u31 7/8	31 1/4	31 1/4	− 1/2
24 1/4	10	AcmeC .40		3.2	18	1968	12 5/8	11 7/8	12 1/2	+ 5/8
9 3/4	1	AcmeE .32b		3.7	19	11	8 7/8	8 3/4	8 3/4	
19 3/4	16 7/8	AdaEx 1.90e		9.9		80	19 1/8	18 7/8	19 1/8	+ 1/4
26	14	AdmMl .40		1.9	11	169	25 7/8	25 1/2	25 3/4	+ 1/8

Continued on Page 33

هكذا من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
57½	14⅛	vjWPl pfB				z350	28	27½	27½	+¼
31¾	10½	vjWhPlpf				z350	22¾	22	22¾	+¾
67½	40½	Whirlpl 2		3.0	15	755	67¼	65¾	66¾	−¼
50	25½	WhitC 1.50		3.2	23	857	46⅝	46½	46⅝	
45¼	39¼	WhitC pfC 3		6.2		82	u49	45½	48½	+3
34⅞	19⅝	Whitehl			12	61	30⅝	29¾	29¾	−¼
28⅝	17¼	Whittak .60		2.2	25	513	u27¼	26⅛	27	+1
15⅛	6	Wilfred .12		.6	14	21	12⅞	12⅞	12⅞	
16½	7⅛	WillcxG 10		.6	7	84	17¾	17¼	17¼	−⅛
33½	21¼	William1.40		6.0	26	1088	23¾	23	23½	−¼
19⅛	3	WilmEl				160	9⅞	9⅝	9¾	
7½	4	WilshrOil		2.2	14	45	4⅞	4⅝	4⅝	−¼
40	32⅞	WinDix 1.74		4.4	15	572	40	38	40	+¾
19¾	6½	Winnbg .20		1.1	34	3001	17⅝	16⅞	17½	+⅛
6⅝	5⅛	Winner				328	6⅝	5¾	6⅝	+⅝
6½	4	WinterJ				32	6⅝	6¼	6¾	+⅛
49½	30¾	WiscEP2.48		5.0	11	510	49½	49	49½	+⅜

Continued on Page 31

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices March 14

OVER-THE-COUNTER

Nasdaq national market, Closing prices, March 14

Continued on Page 31

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

No peace yet for the dollar

BY JONAS CROSLAND

The absence of any resistance, official or otherwise, to the dollar's free fall in the Far East on Friday may be viewed as being rather ominous. It was certainly o dent in the case being carefully built up that the dollar had fallen enough. While not falling beyond levels seen recently against the D-mark, the US unit dropped nearly four yen in very short time to be pulled up only just short of a record trading low but still finishing at a record closing level.

Once again it is important to try and establish how much of the dollar's short-term gyration is relevant to its likely performance in the long term. Ignoring, if possible, the current upsets caused by oil prices, fundamentals relevant to the US economy still paint o rather depressing picture.

G5 intentions whether to depress or support the dollar, have not reduced the US budget deficit, the trade imbalance or stimulated e luke warm growth rate. However, the effects of a weaker dollar must take some time to percolate through and it is this impatience for immediate results that contributes something towards the call for even lower rates.

This does not oppear to ease the short term pressure however and thoughts of protectionism are just as likely to provoko the US administration into fostering a further decline in the dollar's value. If it is argued that high interest rates have propped up the value of the dollar than a return to a sound economic base which must include a reduction in deficits, would serve the same purpose while allowing interest rates at a much lower level.

Lower interest rates may also be required sooner rather than later to reduce the growing unease experienced in the US banking sector to its exposure to debts incurred by countries such as Mexico and Venezuela. This in turn comes back to the price of oil and the two sided effect of the recent slide in prices.

While the dollar and sterling grapple with the uncertainties caused by oil prices, currencies within the European Monetary System have been quietly awaiting the passing of yesterday's national elections in France.

Earlier this year it was felt preferable to keep currencies within their existing trading bands rather than instigate a realignment so near to the French election. More recently the cut in US and West German interest rates have given rise to speculation that an immediate adjustment is not necessary.

This may be optimistic. Although not a member of the exchange rate mechanism, sterling plays a significant part in calculating Ecu values, having a weighting in the currency basket of over 15 per cent. From its set central rate it has fallen by 15 per cent and creates a considerable distortion before adjustment. In addition a devaluation of some of the weaker participating members would enable a reduction in interest rates without directly damaging the exchange rate.

£ IN NEW YORK

Close	Mar. 14	Prev. close
£ Spot	$1.4665-1.4690	$1.4640-1.4650
1 month	0.57-0.56pm	0.59-0.57pm
3 months	1.61-1.40pm	1.53-1.51pm
12 months	4.45-4.35pm	4.55-4.40pm

Forward premiums and discounts apply to the US dollar.

CURRENCY MOVEMENTS

Mar. 14	Bank of England Index	Morgan Guaranty Change %
Sterling	74.3	-17.6
U.S. dollar	117.3	+8.6
Canadian dollar	78.8	-12.0
Austrian schilling	135.9	+7.3
Belgian franc	94.6	-8.2
Danish Kroner	85.0	-1.6
Deutsche mark	134.5	+13.0
Swiss franc	156.1	+14.2
Guilder	123.7	+8.8
French franc	71.4	-13.4
Lira	46.3	-17.0
Yen	194.6	+45.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Mar. 14	£	$
Arg'tina	1.1788-1.1798	0.8000-0.8010
Aus'alia	2.0940-2.0807	1.4305-1.4320
Brazil	20.16-20.45	[illegible]
Finland	7.4765-7.4965	5.1050-5.1070
Greece	204.92-209.05	139.85-142.71
H'kong	11.4895-11.4760	7.8115-7.8135
Iran	116.55*	80.50*
Kuwait	[illegible]	[illegible]
Lux'burg	46.75-46.85	[illegible]
Malay'sia	[illegible]	[illegible]
N'Z'land	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Sin'pore	[illegible]	[illegible]
S.Af.(Cm)	[illegible]	[illegible]
S.Af.(Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

CURRENCY RATES

March 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.785946	0.658793
U.S. $	7	1.15820	0.965486
Canadian $	11.74	[illegible]	[illegible]
Austria Sch.	4	[illegible]	[illegible]
Belgian Fr.	9½	[illegible]	[illegible]
Danish Kr.	7	[illegible]	[illegible]
D'mark	3½	[illegible]	[illegible]
Guilder	4½	[illegible]	[illegible]
French Fr.	9½	[illegible]	[illegible]
Lira	15½	[illegible]	[illegible]
Yen	4	[illegible]	[illegible]
Norwgn. Kr.	8	[illegible]	[illegible]
Span'h Pta.	—	[illegible]	[illegible]
Swedish Kr.	8½	[illegible]	[illegible]
Swiss Fr.	4	[illegible]	[illegible]
Greek Drch	20½	[illegible]	[illegible]
Irish Punt	—	[illegible]	[illegible]

* CS/SDR rate for March 13: 1.59723

POUND SPOT—FORWARD AGAINST POUND

March 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4600-1.4640	1.4635-1.4645	0.57-0.56c pm	4.58	1.58-1.48 pm	4.13
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].
† Correction (March 13): [illegible]

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4640	1.4584	1.4489	1.4378	1.4195
D-Mark	3.3125	3.2918	3.2374	3.2853	3.2880
French Franc	10.1575	10.2343	10.2383	10.3227	10.1203
Swiss Franc	2.7650	2.7664	2.7310	2.6886	2.6046
Japanese Yen	260.00	257.67	255.07	251.78	245.83

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.2365	-1.33	+1.15	±1.5425
Danish Krone	8.12857	7.98478	-1.77	+0.71	±1.6421
German D-mark	2.23840	2.15986	-3.51	-1.03	±1.1455
French Franc	6.86402	6.64491	-3.19	-0.71	±1.3654
Dutch Guilder	2.52208	2.43768	-3.35	-0.87	±1.5162
Irish Punt	0.724578	0.714534	-1.39	+1.09	±1.6673
Italian Lira	1520.60	1470.09	-3.32	-1.88	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4600-1.4665	1.4635-1.4645	0.57-0.55c pm	4.59	1.53-1.48 pm	4.13
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EURO-CURRENCY INTEREST RATES

Mar. 14	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmrk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	8¼-8½	13½-13⅛	14-14½	13-13½	11½-12	10-10½
Italian Lire	15-17	18½-20	18⅝-19½	17⅝-17⅝	16-16½	14⅝-10¼
B.Fr.(Fin)	10-10¼	9¾-10	9⅝-9⅞	9⅝-9⅞	9⅞-9⅛	8½-8¾
B.Fr.(Con)	9¼-9¾	13-14	11⅝-13	10⅝-11⅛	9½-10	8½-9
Yen	6½-5⅝	5⅞-6⅛	6¼-6½	6½-5⅝	6⅛-6⅜	5¼-5⅛
D. Krone	8½-9	8⅞-9⅝	8½-9	8-8⅛	7¾-8¼	7¾-8¼
Asian $ (Sng)	7⅛-7⅝	7⅛-7⅝	7⅛-7⅜	7⅛-7½	7⅛-7½	7⅞-7⅞

Long-term Eurodollars: two years 7⅝-7⅞ per cent; three years 7⅞-8 per cent; four years 8-8⅛ per cent; five years 8⅛-8⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	5.21	6.46	—	—	1.21	2.23	—	—
118	4.02	5.21	—	—	2.02	3.09	—	—
120	2.61	4.27	—	—	2.61	4.05	—	—
122	2.05	3.33	—	—	4.05	0.11	—	—
124	1.28	2.47	—	—	5.28	0.25	—	—

Estimated volume total: Calls 1,780, Puts 63
Previous day's open int: Calls 1,115, Puts 66

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike price	Calls—Last Mar	April	May	June	Puts—Last Mar	April	May	June
1.20	26.55	—	—	26.54	0.00	—	—	0.02
1.25	21.55	21.54	—	21.54	0.00	0.00	—	0.10
1.30	16.55	16.54	16.54	16.54	0.00	0.02	0.22	0.34
1.35	11.55	11.54	11.54	11.54	0.00	0.14	0.72	0.97
1.40	6.55	6.80	7.26	7.31	0.00	0.71	1.83	2.24
1.45	1.55	3.37	4.34	4.42	0.00	2.28	3.81	4.35
1.50	0.00	1.30	2.28	2.42	3.46	5.21	6.75	7.35

Estimated volume total: Calls 482, Puts 102
Previous day's open interest: Calls 9,240, Puts 7,244

PHILADELPHIA SE £/$ OPTIONS

Strike price	Calls—Last Mar	April	May	June	Puts—Last Mar	April	May	June
1.20	—	—	—	—	—	—	—	—
1.25	21.60	—	—	—	—	—	—	—
1.30	—	—	—	—	—	—	—	—
1.35	—	—	—	—	—	—	—	1.00
1.40	0.90	5.75	—	—	0.05	0.55	—	2.30
1.45	1.90	3.20	—	4.50	0.20	—	—	4.20
1.50	0.05	1.80	—	2.70	3.60	—	—	—

Previous day's open int: Calls 2,501, Puts 2,386
Previous day's volume: Calls 62,807, Puts 66,583

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
82	5.58	6.41	—	—	0.40	2.01	—	—
84	4.25	5.26	—	—	1.27	2.60	—	—
86	3.08	4.30	—	—	1.64	3.44	—	—
98	2.08	3.24	—	—	2.54	4.48	—	—
100	1.23	2.39	—	—	4.05	5.63	—	—

Estimated volume total: Calls 55, Puts 0
Previous day's open int: Calls 82, Puts 31

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last Mar	April	May	June	Puts—Last Mar	April	May	June
1.20	26.80	—	—	—	0.05	—	—	—
1.25	21.80	—	—	—	0.05	—	—	—
1.30	16.80	—	—	—	0.05	—	—	—
1.35	11.90	11.90	11.90	—	0.05	0.20	0.80	—
1.40	6.80	6.90	7.50	—	0.05	0.70	1.65	—
1.45	2.00	3.30	4.30	—	0.20	2.20	3.70	—
1.50	0.05	1.30	2.20	—	3.40	5.25	6.50	—

Previous day's open int: Calls 5,190, Puts 5,630
Volume: N/A

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

Strike price	Calls—Last Mar	June	Sept	Dec	Puts—Last Mar	June	Sept	Dec
90.00	2.56	2.78	—	—	0.00	0.00	—	—
90.50	2.06	2.28	2.24	—	0.00	0.00	0.00	—
91.00	1.56	1.78	1.76	—	0.00	0.00	0.01	—
91.50	1.06	1.28	1.27	—	0.00	0.00	0.03	—
92.00	0.56	0.81	0.83	—	0.00	0.03	0.02	—
92.50	0.07	0.40	0.46	—	0.01	0.12	0.22	—
93.00	0.00	0.13	0.20	—	0.44	0.35	0.46	—

Previous day's open int: Calls 2,610, Puts 4,005
Volume: 100

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	119-02	119-02	119-03	118-28
June	120-00	120-13	119-29	119-24
Sept	120-11	120-11	120-11	120-05

Estimated Volume 7,273 (9,046)
Previous day's open int. 6,706 (6,821)
Basis quote (clean cash price of 13¾% Treasury 2004/08 less equivalent price of near futures contract) —4 to 4 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
March	98-71	98-11	98-10	98-08
June	98-28	98-30	98-24	98-18

Estimated Volume 789 (742)
Previous day's open int. 933 (1,005)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	92.58	92.57	92.56	92.53
June	92.78	92.80	92.74	92.71
Sept	92.78	92.74	92.68	92.65
Dec	92.61	92.61	92.57	92.52
March	92.42	92.38	92.38	92.33
June	92.24	—	—	92.15
Sept	92.07	—	—	91.97
Dec	91.90	—	—	91.81

Estimated Volume 2,088 (3,460)
Previous day's open int. 15,540 (15,576)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	88.35	88.36	88.21	88.22
June	89.37	89.39	89.24	89.28
Sept	89.79	89.80	89.74	89.75
Dec	90.02	90.03	90.00	90.00
March	90.10	90.10	90.08	90.08

Estimated Volume 1,026 (2,344)
Previous day's open int. 11,914 (12,005)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	162.10	163.00	161.20	161.30
June	164.70	164.80	163.20	163.10
Sept.	166.10	166.70	166.70	165.10

Estimated Volume 228 (235)
Previous day's open int. 1,638 (1,657)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	97-23	97-25	97-05	96-06
June	97-28	97-18	96-12	96-08
Sept.	96-29	96-22	96-20	95-07

Estimated Volume 7,558 (5,028)
Previous day's open int. 5,227 (5,527)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	97-12	98-12	96-28	96-27
June	96-27	97-27	96-08	96-14
Sept	96-05	97-08	95-25	95-24
Dec	95-23	96-20	95-08	95-05
March	95-06	96-05	94-23	94-19
June	94-22	95-27	94-17	94-16
Sept	94-07	95-02	94-00	93-27
Dec	93-23	—	—	93-10
March	93-07	—	—	92-28
June	92-19	—	—	92-07

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	92.86	92.88	92.86	92.85
June	93.07	93.08	—	92.98
Sept	92.90	92.90	—	92.81
Dec	92.66	93.04	—	93.00
				92.85

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	93.90	93.85	93.82	93.73
Sept	93.81	93.85	93.74	93.73
Dec	93.71	93.77	93.68	93.63
March	93.55	93.60	93.45	93.46
June	93.39	93.43	93.29	93.31
Sept	93.23	93.27	93.16	93.16
Dec	93.10	93.14	93.11	93.02
March	92.96	92.98	92.96	92.95

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	92.66	92.69	92.54	92.57
June	92.77	92.80	92.75	92.75
Sept	92.75	92.78	92.68	92.69
Dec	92.66	92.63	92.55	92.55
March	92.37	92.43	92.35	92.36
June	92.28	92.32	92.22	92.18
Sept	92.04	92.05	92.05	92.01
Dec	91.89	91.94	91.89	91.86

IMM — STERLING $e per £

	Latest	High	Low	Prev
March	1.4610	1.4720	1.4615	1.4570
June	1.4475	1.4580	1.4460	1.4420
Sept	1.4370	1.4500	1.4370	1.4310
Dec	1.4270	1.4270	0	1.4200

CURRENCY FUTURES

POUND — $ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4640	1.4584	1.4489	1.4378	1.4196

LIFFE — STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4645	1.4674	1.4565	1.4565
June	1.4507	1.459	1.4504	1.4417
Sept	1.4405	1.4495	1.4405	1.4305

Estimate Volume 144 (17)
Previous day's open int 3,326 (3,326)

EXCHANGE CROSS RATES

Mar. 14	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.464	3.313	259.0	10.19	2.765	3.741	2251.	2.041	67.80
$	0.683	1.	2.263	177.0	0.960	1.909	2.555	1538.	1.394	46.30
DM	0.302	0.442	1.	78.18	3.075	0.841	1.129	679.8	0.616	20.47
YEN	3.861	5.663	12.79	1000.	38.35	10.75	14.43	8691.	7.880	261.6
F Fr.	0.982	1.437	3.252	254.3	10.	2.734	3.669	2210.	2.003	66.56
S Fr.	0.362	0.526	1.189	93.00	3.658	1.	1.342	808.3	0.733	24.34
H Fl.	0.268	0.392	0.886	60.30	2.725	0.745	1.	602.2	0.546	18.14
Lira	0.444	0.650	1.472	115.1	4.526	1.237	1.663	1000.	0.907	30.12
C $	0.490	0.717	1.625	126.9	4.992	1.365	1.831	1103.	1.	33.23
B Fr.	1.475	2.159	4.886	382.0	15.03	4.108	5.513	3320.	3.010	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

Looking for lower rates

The passing of tomorrow's UK budget will provide some welcome relief for the money market. It may even sreve to temper the runaway euphoria normally experienced when there is a whiff of lower base rates in the air. There is already a very plausible case for seeing another round of interest rate cuts by the group of five nations. France may push for a cut after this weekend's elections, facilitated by an adjustment within the EMS. West German inflation is set to remain at record lows while Japan may not like to see the yen appreciate much more against the dollar. The US is sitting on a potential time bomb following the release of information showing bow many banks were on the so called problem list.

UK clearing banks base lending rate 12½ per cent since January 9

That leaves the UK, already lagging behind the last drop in rates. Sterling's position as a petro currency makes a difference but tha choice at the moment is between keeping a cautious stance, relatively high interest rates and a cushion against the speculative elemeot responsible for sterliog's gyrations (the effectiveness of the latter point is arguable), or a general downward move in the interest rate structure given that the benefits are real whereas the disadvantages are only potentially real.

The authorities have shown earlier this year how effectively they can resist upward pressure on rates and the market's recent concentration on oil prices may ultimately prove to be short lived. However the attraction of ony clear path that may be seen to minimise excessive pressure building up on sterling is unlikely to be ignored. It is the short term movement in the pound which creates the most damaging situation. The authorities may just be happy to stand ready with the fire horse, watching small fires hurning but ready to douse the flames on the threat of any conflagration.

Last year's fall by sterling of 1.6 per cent in tha first two months on its exchange rate index was damaging because it upset confidence whereas a 6 per cent decline over tha same period this year appears to have been overcome.

NEW YORK

(4 pm)

Prime rate	9.0
Broker loan rate	8½-8½
Fed funds	7¹³⁄₁₆
Fed funds at intervention	—

Treasury Bills & Bonds

One month	6.28
Two month	6.31
Three month	6.78
Six month	6.86
One year	7.00
Two year	7.17
Three year	7.25
Four year	7.31
Five year	7.41
Seven year	7.61
10 year	7.71
30 year	7.55

BANK OF ENGLAND TREASURY BILL TENDER

	Mar. 14	Mar. 7		Mar. 14	Mar. 7
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.1706%	11.5616%
Total of applications	£461.9m	£666m	Average rate of discount	11.1596%	11.6338%
Total allocated	£100m	£100m	Average yield	11.48%	11.87%
Minimum accepted bid	£97.210	£97.12	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	75%	66%			

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	March 14	change	NEW YORK	March 14	change
Base rates	12½	Unch'd	Prime rates	9	Unch'd
7 day interbank	13½	+⅛	Federal funds	7¹³⁄₁₆	—½
3mth interbank	11⅛	—⅛	6 Mth. Treasury Bills	6.76	—0.02
Treasury Bill Tender	11.1696	—0.3748	6 Mth. Treasury Bills	6.80	—0.05
Band 1 Bills	12⅛	Unch'd	3 Mth. C D	7.18	—0.20
Band 2 Bills	12⅛	Unch'd			
Band 3 Bills	12¼	Unch'd	FRANKFURT		
Band 4 Bills	12⅛	Unch'd	Lombard	5.5	Unch'd
3 Mth. Treasury Bills	11⅛	—⅛	One Mth. Interbank	4.575	+0.175
1 Mth. Bank Bills	12	—⅛	Three month	4.475	+0.16
3 Mth. Bank Bills	11⅛	—¼			
			PARIS		
TOKYO			Intervention Rate	8¼	—⅛
One month Bills	5.59375	—0.0	One Mth. Interbank	8⅛	—⅛
Three month Bills	5.40625	—0.e	Three month	8⅛	—⅛
BRUSSELS			MILAN		
One month	9¾	—⅛	One month	17⅛	Unch'd
Three month	9¾	Unch'd	Three month	16⅛	Unch'd
AMSTERDAM			DUBLIN		
One month	5⅞	+⅛	One month	14¾	—
Three month	5⅛	Unch'd	Three month	14⅛	—

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.
are call for US dollars and Japanese yen; others two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. March. 14)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 3/8	offer 7 1/2	bid 7 3/8	offer 7 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

MONEY RATES

March 14	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.75-5.00	4.50-4.05	4.45-4.00	4.40-4.55	4.35-4.50	5.5
Paris	8⅛	8¼-8⅜	8¼-8⅜	8⅛ 8¼	8⅛-8⅜	8¼
Zurich	7⅛-1⅛	3⅛-4	—	3⅛-3⅞	—	—
Amsterdam	0¼ 6⅞	0½-6⅞	—	6⅞-6⅞	—	—
Tokyo	5.34375	5.59375	—	5.40625	—	—
Milan	17⅛-18	17⅛-17⅞	—	16⅛-16⅞	—	—
Brussels	6.30	9⅛-9⅛	—	9⅛ 9⅛	—	—
Dublin	—	14⅜-14⅞	14⅛-14⅝	14-14¼	11½-12	—

LONDON MONEY RATES

Mar. 14	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-14	13⅝-13¾	12¼-12⅛	11⅝ 11⅞	11⅛-11⅜	10⅞-11⅛
Sterling CDs	—	—	11⅞-12⅛	11½-11⅝	11-11⅛	10⅛-10⅜
Local Authority Depos	13¼	12¾-12⅞	12	11⅝	11⅛	10¾
Local Author'y Bonds	—	—	12½	12	11⅛	10⅞
Discount Mkt Depos.	10-12¾	12¾	12	11½	—	—
Company Depos.	12-13¼	13¼-13¾	12½	11⅛	—	—
Finance House Depos	—	—	10⅛	11¾	11¼	10⅞
Treasury Bills (Buy)	—	—	12⅛	11⅝	—	—
Bank Bills (Buy)	—	—	12	11⅝	10¾	—
Fine Trade Bills (Buy)	—	—	12⅝	12	11⅛	—
Dollar CDs	—	—	7.30-7.35	7.25-7.30	7.25 7.30	7.35-7.40
SDR Linked Depos	—	—	8⅛-8¼	7¾-8	7⅞-7½	7⅛-7⅞
ECU Depos	—	—	9⅛-10	9¼-9⅜	8⅞-8⅛	8¼-8⅞

Treasury Bills (sell): one-month 12 per cent; three-months 11⅛ per cent. Bank Bills (sell): one-month 11¹⁵⁄₁₆ per cent; three-months 11⅛ per cent. Treasury Bills: Average tender rate at discount 11.1596 per cent. ECGD Fixed Finance Scheme IV reference date February 5 to March 4 (inclusive): 12.654 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 13 per cent from March 1 1986. Bank Deposit Rate for sums at seven days' notice 6-6¼ per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12¼ per cent; one-three months 11¼ per cent; three-six months 11¼ per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 11 per cent from March 12. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 7 per cent.